Cabinet Office

Cross-Government Fraud Landscape Annual Report 2018

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Ministerial foreword

Chloe Smith MP
Minister for the Constitution

Fraud is an increasingly complex and constantly evolving crime, and it is important and right that we acknowledge the serious threat that it poses to the UK public sector.

When fraudsters attack the public sector, they divert money away from critical public services and into their own pockets. This can lead to our public sector organisations operating with less money than they should have, and inevitably this has a direct impact on the public that we serve, many of whom are vulnerable and depend on these services.

That is why this government's fight against fraud is part of its commitment to build a fairer economy and a more caring society for everyone. This demands a real commitment to protecting public services and fighting economic crime and we are putting the right structures, tools and expertise in place. We know that the public sector is a prime target for those who commit fraud – and we cannot mitigate every risk in this area – but we must do our best to ensure that every pound of taxpayers' money is spent on delivering services.

In last year's fraud landscape report, this government outlined its commitment to finding more fraud in the public sector. We recognised that fraud was a hidden crime and that to fight it, you had to find it.

In the last year, we have invested in our counter fraud capability to deliver against the government's objective of finding more fraud. That is why I am pleased to say that we are finding more fraud in central government, with total detected fraud having increased by 61% to £119 million for 2016-17.

This report not only outlines the work and many initiatives to fight fraud against the public sector, but also embodies a key component of our counter fraud approach: transparency and openness. In central government, we are now talking more about fraud and have changed our culture from one that can disincentivise the detection of fraud, to one that actively promotes it. By publishing central government's results in line with this, we are demonstrating that the UK is tackling fraud in the right way.

We are also delivering on our commitment to publish departmental results against the functional standards for counter fraud - and from 2019 we will include results from arms length bodies. Since the launch of the functional standards in February 2017, 17 government departments and 40 arms length bodies are adopting these standards, and it is important that we are transparent about the level of compliance.

The considerable progress made in the last year clearly shows the government's strong commitment to combating public sector fraud. As well as putting the structures in place to professionalise our staff, we are also working with other countries to share best practice on countering fraud and economic crime.

As part of our work as a member of the International Public Sector Fraud Forum, our international partners in Australia, Canada, New Zealand and the United States have recognised our achievements as global-leading, specifically in the area of counter fraud professionalisation.

Yet we don't intend to rest on our laurels; we are challenging ourselves to go further.

We are sending a strong message to fraudsters who are thinking about defrauding the public sector. We have a growing, more organised community of highly skilled and driven public servants who are committed to finding and taking action against fraud. Government is not a soft target.

Chloe Smith MP
Minister for the Constitution

Chief Executive of the Civil Service

John Manzoni
Chief Executive of the Civil Service and Cabinet Office Permanent Secretary

We aim to be the best Civil Service in the world and key to this is having a core set of functions that manage essential activity across government. These functions provide the infrastructure and instruments for greater efficiency and effectiveness. They also encourage public sector bodies and their staff to work together, across organisational boundaries, to tackle the most important of government priorities.

Fighting fraud is one of these priorities, and that is why I'm delighted to see the establishment of our vital counter fraud work as a government function.

One important feature of a function is to define what needs to be done by setting functional standards. In counter fraud, we have a set of government-wide standards and we are working with public sector bodies to help them meet these standards.

Functions also provide expert advice to help public bodies deal with the challenges they face, so that in turn they can better protect the public sector. In counter fraud, we are developing skilled people to provide expert advice and also deliver specialist services. But this is just the start.

Building strong government functions is also about how we organise ourselves as a workforce; how we work together, and how we get the best from our people. We need to develop our counter fraud capability across the public sector, and with this year's launch of the Government Counter Fraud Profession, we now have the keystone in place to do this.

Through the profession, we will be diversifying the shape and trajectory of career pathways for our counter fraud people. We empower our people to take control of their own careers and in doing so, establish a public sector counter fraud community that is equipped to deal with the evolving threat of fraud. This does two things: firstly, it helps government to find more fraud and secondly, it's part of our vision for a Brilliant Civil Service – one that delivers improved outcomes through effective leaders and skilled people.

The Cabinet Office Centre of Expertise for Counter Fraud is well positioned to support government in delivering its functional priorities, and it's very encouraging to see the progress we're making in finding and combating fraud in central government – as part of a much larger counter fraud effort in other areas of the public sector, specifically tax and welfare.

"The Cabinet Office Centre of Expertise for Counter Fraud is well positioned to support government in delivering its functional priorities."

Our Civil Service is widely recognised and respected globally, and we should be proud that our response to fraud, bribery and corruption is recognised in this way too. As we build on this progress and seek out new opportunities, we should see great things from the government's Counter Fraud Function.

John Manzoni
Chief Executive of the Civil Service and Cabinet Office Permanent Secretary

Executive summary

Scope of report

This report focuses on the public sector fraud landscape in central government and the levels of fraud and error loss outside of the tax and welfare system.[1]

In this report we focus on the 2016-17 loss trends and highlight the work that we are doing to find more fraud through raising standards and improving capability.

We also report on the key activity from 2017-18, as led by the Cabinet Office Centre of Expertise for Counter Fraud including:

- the progress we are making to build and increase counter fraud capability in government
- how government organisations are progressing against the functional standards for counter fraud
- how we continue to find fraud in new areas where little is known
- how we are using data to better find and prevent fraud
- how we are working with overseas governments to share best practice on countering fraud and economic crime

Strategic ambition

Government wants to be world leading in how it deals with public sector fraud and economic crime. Our aim is to make the public sector a place where fraud is actively found and robustly dealt with.

The government's approach is to build and increase counter fraud capability right across the public sector and we will achieve this by putting the right structures, tools and expertise in place.

Government transparency

We aim to be the most transparent government globally in how we deal with public sector fraud. And as such, we are publishing this report to demonstrate our commitment to transparency and openness.

1 HM Revenue and Customs (HMRC) and the Department for Work and Pensions (DWP) already reports on progress annually covering areas including: fraud and error in the benefits system and activity in tax compliance (see GOV.UK).

Performance highlights

Government is finding and reporting more fraud

In 2016-17 government departments reported an increase in the levels of both detected fraud and error. Total detected fraud and error increased by £86m, or 82% to £191m for the year. We've continued to make progress since we first reported on the levels of detected fraud and error loss in 2014-15 and we're finding more fraud and error as a result.

Our performance in terms of detected fraud reflects the work that public bodies have done to improve the comprehensiveness of loss reporting in central government, as well as our work to raise standards and improve capability.

Financial highlights

- Total detected fraud increased by £45m, or 61% to £119m
- Total detected error increased by £41m, or 132% to £72m[2]
- Total prevented fraud increased by £12m, or 36% to £45m
- Total recoveries increased by £32m, or 160% to £52m[2]

We are talking more about fraud

In 2017-18 government departments and their arms length bodies (ALBs) worked hard to raise the levels of fraud awareness within their organisations. We found through our annual assurance activity that all but the very smallest of ALBs had access to fraud awareness training. Most organisations had also run campaigns to encourage staff to speak out and report fraud.

The Cabinet Office hosted a number of events, including the 2018 Fraud and Error Conference. This event brought the counter fraud community together to share in the challenges facing the UK public sector.

In addition, we continued to share best practice through an established network of Counter Fraud Champions in government – who in turn, worked with their organisations to promote and embed the latest practices on countering fraud.

Instances of reported and suspected fraud are increasing

In 2016-17 government departments reported an increase in the total number of allegations of suspected fraud. There were a total of 11,530 allegations reported, representing a 32% increase on 2015-16.[3] The increase in the volume of suspected fraud is a key indicator of our ability to reinforce

2 Excluding anomalies.
3 Data first collected in 2015-16.

the right culture where we acknowledge that fraud exists, and where staff are confident in identifying and reporting fraud.

Organisations are adopting the functional standards

In February 2017 government launched the functional standards for counter fraud. They were developed to ensure organisations had the main components in place to deal with fraud effectively.

Since launch, 57 organisations have commenced the adoption of the functional standards for counter fraud, including 17 government departments and 40 ALBs.

In 2018 the Cabinet Office Centre of Expertise for Counter Fraud carried out an annual assurance check to determine how government organisations were progressing against the functional standards for counter fraud. Our assurance check found a notable improvement in the number of organisations that demonstrated full or partial compliance against individual standards that were not previously met in 2016-17. In this year's report – we deliver against our 2017 commitment to publish the results of which departments are meeting the functional standards (see part five).

We have built and launched a Government Counter Fraud Profession

Having a highly skilled counter fraud workforce is key to the effectiveness of the government's counter fraud response. In 2015 government commenced work to build a counter fraud profession with the purpose of increasing capability across the public sector.

Over the past three years specialists from over 100 organisations (comprising of both private and public sector organisations) have come together to develop and agree a structure for the profession – this includes:

- governance arrangements
- the counter fraud framework, and
- professional standards and guidance

The profession was formally launched on 9th October 2018 with over 3,000 public sector members.

Over the next year we'll continue to expand our membership base and the profession will play a key role in driving capability improvement across the public sector.

We are continuing to find fraud in new areas

Government organisations have been undertaking loss measurement activity through the Fraud Measurement and Assurance (FMA) Programme since 2014. To-date, more than 48 exercises have been completed and the programme continues to find fraud in new areas where little or nothing was previously known.

In 2016-17 government completed 10 FMA exercises across a range of payment areas. In 8 out of 10 exercises we found fraud and error. The results continue to support NAO's view that there could be significant fraud and error that is unreported or undetected in central government.[4]

The board responsible for the oversight of the FMA programme also concluded that there were still unknown areas in government, where detection activity such as FMA would be a valuable tool for finding more fraud.

We are using data to find and prevent fraud

Government is committed to using data to better find and prevent fraud.

In 2017 we passed new legislation under the Digital Economy Act 2017 to enable public authorities to share personal data for the purpose of improving public services, reducing debt and combating fraud. The Digital Economy Act 2017 opens the pathway to fraud data sharing in government and the Cabinet Office is supporting central government through the provision of fraud data analytics services.

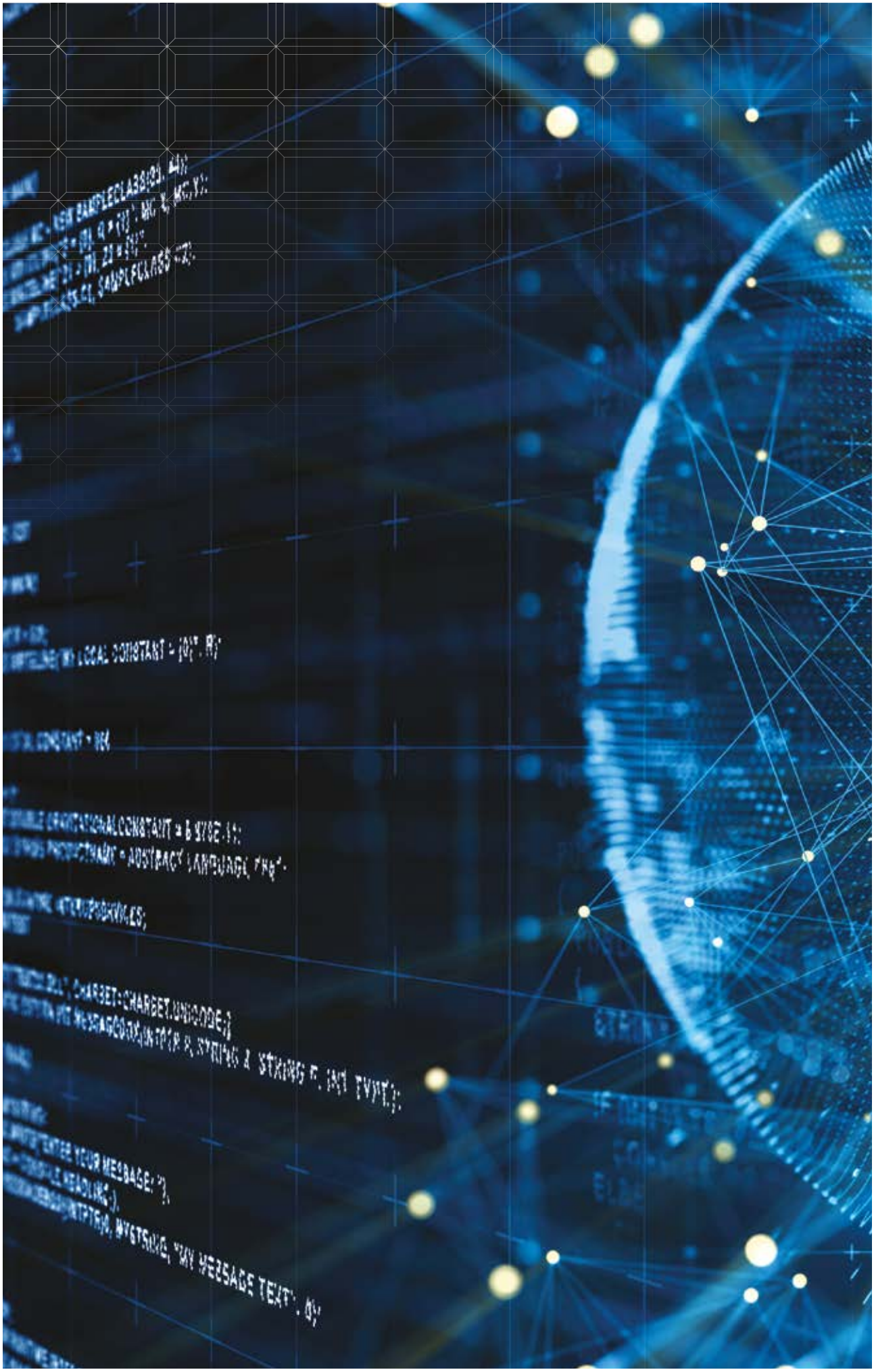
In 2017-18, the Cabinet Office Centre of Expertise for Counter Fraud ran a number of data sharing pilots across a range of areas including Personal Independence Payments (PIP), Legal Aid applications, Northern Ireland healthcare provisions and student loan applications. These pilots found fraud where applicants had failed to disclose information that would have had a material impact on their application. Such pilots are key to realising a greater range of savings across central government and complement existing services, including the National Fraud Initiative (NFI).

The Centre of Expertise for Counter Fraud also developed best practice guidance on the use of data and data analytics to counter fraud.

We are working with overseas governments to share best practice

In 2017-18 the UK government launched the International Public Sector Fraud Forum with five founding member countries. The forum has been set up to facilitate the sharing of best practice on counter fraud with governments in overseas countries. The UK government currently leads the forum, and its members have agreed common areas of interest. This includes building a knowledge base, developing a guide to countering public sector fraud, and running a series of working groups to share expertise.

4 NAO Fraud Landscape Review 2016.



Part one – Definitions of fraud and error

Reporting on fraud

In 2014 government introduced fraud definitions and typologies to provide a consistent approach for the reporting of fraud and error in the public sector.

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."

As first published in the Cross-Government Fraud Landscape Annual Report 2017, departments report against the definition using a civil test. They consider on the balance of probabilities whether or not an action or inaction was likely to have been taken with the intention of defrauding the taxpayer.

Cases are therefore reported as fraud where the department judges it was more likely than not that fraud has occurred. Cases do not need to be proved to a criminal standard to be reported as fraud.

Reporting on error

Government defines error as losses arising from unintentional events, processing errors and official government errors. Such losses are judged to be without fraudulent intent. For example, if an incorrect account was paid and it was judged on the balance of probabilities that fraud had not occurred, then it would be classified as error.

Reporting loss

Departments and their ALBs report quarterly identified loss from fraud and error, alongside associated recoveries and prevented losses to the Cabinet Office Centre of Expertise for Counter Fraud in line with the agreed government definition. 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.

In part three of this report, we give the figures for both detected fraud and error, and prevented fraud and recoveries that departments and their ALBs have reported in 2016-17 using the above definition.

Reporting frequency

Within this report, government publishes data on the levels of fraud and error loss in central government from the previous financial year(s). The frequency of reporting reflects the way in which departments report data to the Centre of Expertise for Counter Fraud. All figures are assured and are confirmed as factually accurate prior to publication.

Part two – The scale of the challenge

The scale of loss

Government's understanding of the potential range of losses is increasing as we continue to build our knowledge and understanding of the fraud landscape in central government.

Over the past four years, we have built an evidence base through data collection, loss measurement activity and policy research to better understand and estimate the scale of fraud and error loss in the UK public sector.

As a result of this work, government estimates that fraud and error loss outside of the tax and welfare system cost central government between **£2.7bn** and **£20.3bn** in 2016-17.

Why publish data on the potential range of losses?

Government recognises there is still more work to be done to reduce the gap between the level of fraud and error loss that is currently detected, and the level of loss that the estimates indicate.

In the 2017 Cross-Government Fraud Landscape Annual Report, we set out the context and the need for government to make progress so that effective action could be taken to mitigate losses in areas, where there was a reasonable level of confidence. We first however acknowledged that in order to fight fraud, you had to find it.

Government also introduced the concept of the fraud and error loss 'iceberg' to depict the scale of loss in central government. The iceberg breaks the challenge down to three main parts:

- Detected fraud and error
- Estimated fraud and error
- Unknown fraud and error

Detected fraud and error

This is the amount of fraud and error loss that government departments detect and represents what is known. This is considered as the tip of the iceberg.

In 2016-17 this amounted to **£191m**.[5]

Estimated fraud and error

This is the amount of fraud and error loss that government estimates using extrapolations from loss measurement activity. This includes exercises undertaken across government, including some that have been completed under the FMA programme. Estimated fraud and error sits below the waterline and reflects what we know exists because of estimates, but has not been fully detected.

5 Excluding anomalies.

In 2016-17 this amounted to **£521m.**

This covers areas of health,[6] Legal Aid funding,[7] government grants, travel and subsistence, and procurement activity.[8]

Unknown fraud and error

For unknown loss the Cabinet Office, alongside the Oversight Board (who oversee the FMA programme) use their professional judgment to assess the potential range of loss across all government spend that does not have an estimate.

The FMA Oversight Board has concluded there is an upper and lower range for likely losses in unmeasured areas of government spend: **0.5%** to **5.0%** of expenditure. This range has moved on from last year's fraud landscape report where the upper range was taken from the US Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA).[9] Now, more exercises have been completed under the FMA programme and this has provided more confidence in moving away from IPERIA to the evidence base held for UK government exercises.

Overall this does increase the potential range of losses in the 'unknown' area of the iceberg (which is deep below the waterline) with the upper estimate increasing from £18.3bn to £19.6bn. However we believe that fraud is more likely to be present in high risk areas of spend, which is where the FMA exercises are concentrated. Our view is that when the 0.5% to 5.0% range is applied to the rest of government expenditure, which consists of both high and low risk areas of spend, the true scale of loss is likely to be towards the lower end of this range.

The range is based on the results of the FMA exercises completed since 2014. To-date 48 exercises have been undertaken and 23 of these were judged to be high quality by an independent Expert Panel.

The majority of the high quality exercises found between 0.5% and 5% of irregularity (fraud and error) and to establish the majority, the outliers were excluded. The FMA Oversight Board believes it is likely that the true scale of fraud and error loss lies towards the lower end of this range.

6 Includes prescription / dental charge evasion and optical voucher abuse (estimated at £341.7m p.a) – see NHS Counter Fraud Authority Strategic Intelligence Assessment Report 2016-17.

7 Estimated at £13.6m p.a – calculated using the net estimated error rate for 2016-17 as proportion of Legal Aid spend – see Legal Aid Annual Report 2016-17.

8 As measured by the FMA programme (not exhaustive of all areas of spend in central government) – the annual loss estimate for exercises completed since 2014 is £166m.

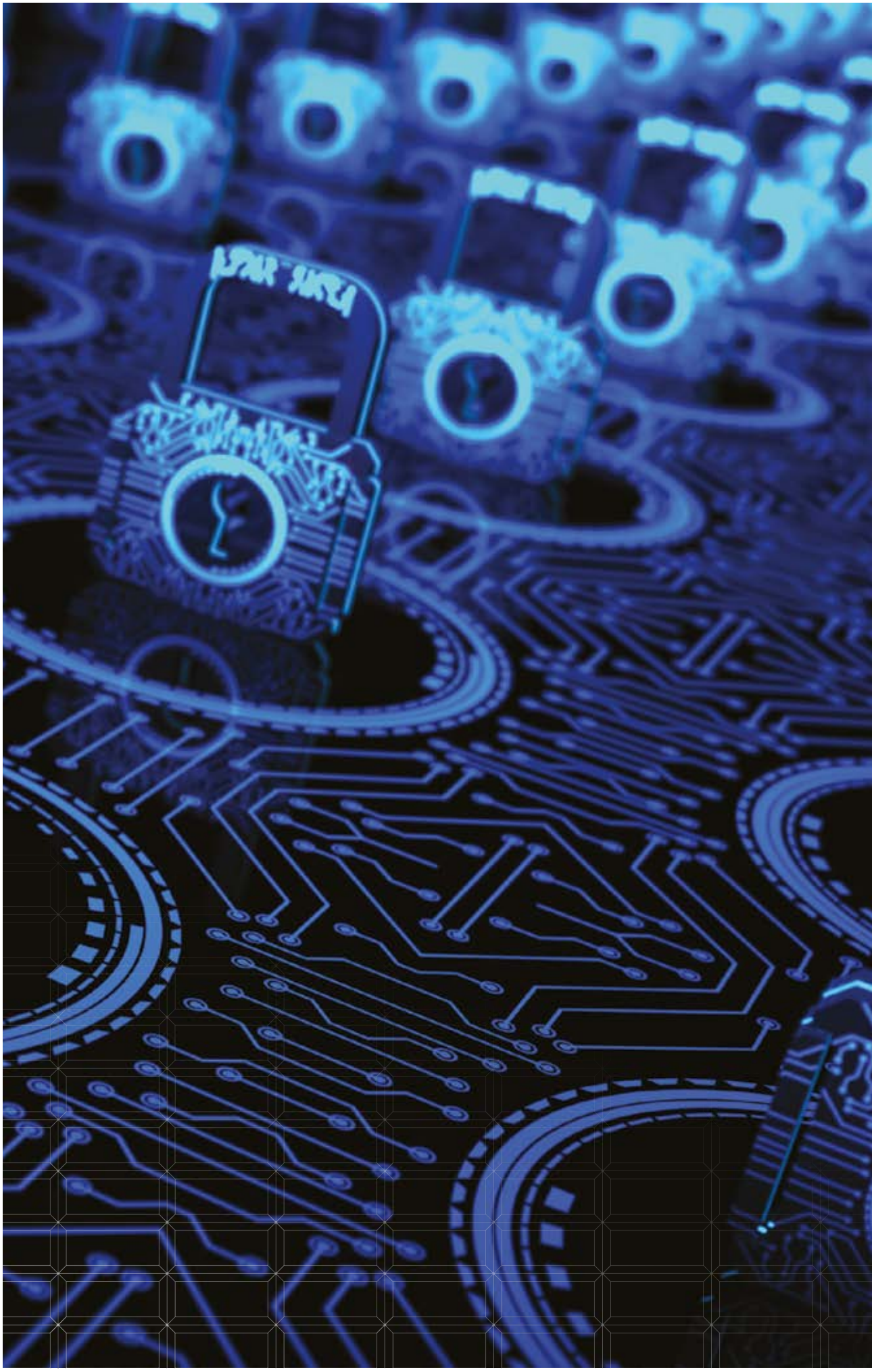
9 IPERIA measures improper payments across more than 100 different spend areas within the US Government.

It should be noted, that whilst the high quality exercises are a reasonable indicator of potential loss they do not cover every area of government spend and focus on high-risk areas.

In determining the most suitable evidence base through which to inform the upper and lower range, the Cabinet Office in conjunction with the FMA Oversight Board considered a range of comparators (from exercises based in the UK and overseas). It was agreed that the most relevant evidence base available for the UK public sector is that generated by the FMA programme.

Government has therefore concluded that the potential range of losses in the unknown area ranges from **£1.96bn** to **£19.6bn**, or 0.5% to 5.0% of public services expenditure.[10]

10 Based on the whole of government accounts expenditure for 2016-17 excluding social protection, debt interest, EU transactions and net health spend on NHS dental services and prescriptions dispensed in the community.



Part three – 2016-17 loss data trends

Financial highlights

In 2016-17 government departments reported an increase in the total amount of detected fraud and error.

Total detected fraud and error excluding anomalies increased by £86m, or 82% to £191m for the year.

The increase in detected fraud and error is attributed to:

- improvements in the quality and comprehensiveness of loss reporting across central government;
- public bodies putting an estimated value on some instances of detected fraud where a value was not previously reported;[11]
- greater focus on managing fraud risk within government, including new detection activity in areas such as procurement;
- increased levels of fraud awareness amongst departments and ALBs.

2016-17 numbers

	2016-17
Detected fraud	£119m
Detected error	£72m
Total detected	**£191m**
Prevented	£45m
Recoveries	£52m

Trends over time

	2014-15	2015-16	2016-17
Detected fraud	£31m	£74m	£119m
Detected error	£29m	£31m	£72m
Total detected	**£60m**	**£105m**	**£191m**
Prevented	£28m	£33m	£45m
Recoveries	£27m	£20m	£52m

11 In 2016-17 the Ministry of Defence developed a Nominal Offence Value framework to assign a standard estimated value to cases where no value had been reported. The Prevention Panel approved the methodology in 2017 and this has enabled MOD to better understand the impact of fraud on areas of defence.

2016-17 numbers including anomalies

The following tables show the total amount of detected fraud and error including anomalies. In 2017-16 an official government error was made totalling £110m. This amount is included in the detected error and recoveries total.

	2016-17
Detected fraud	£119m
Detected error	£182m
Total detected	**£301m**
Prevented	£45m
Recoveries	£162m

Trends over time including anomalies

	2014-15	2015-16	2016-17
Detected fraud	£31m	£74m	£119m
Detected error	£29m	£31m	£182m
Total detected	**£60m**	**£105m**	**£301m**
Prevented	£28m	£33m	£45m
Recoveries	£27m	£20m	£162m

2016-17 detected fraud and error by department

This table shows the total amount of detected fraud and error government departments and their ALBs reported to the Cabinet Office for the period 2016-17. All figures are reported at departmental level.

	Detected fraud	Detected error	Total detected
	£m	£m	£m
Department for Transport	0.8	111.2	112.0
Ministry of Defence[12]	88.2	0.4	88.6
Department for Health & Social Care	7.8	13.6	21.4
Department for International Development[13]	5.1	13.5	18.7
Department for Education	2.8	11.3	14.1
Ministry of Justice	0.9	13.2	14.1
Department for Business, Energy & Industrial Strategy	[1]0.6	3.3	13.9
Department for Environment Food & Rural Affairs	1.0	6.9	7.9
Home Office	0.2	6.5	6.7
HM Revenue & Customs[14]	0.2	1.5	1.7
Department of Energy and Climate Change[15]	0.1	0.4	0.5
Foreign & Commonwealth Office	0.4	0.1	0.5
Ministry of Housing, Communities & Local Government	0.3	0.1	0.4
Department for Work & Pensions[14]	0.3	0.0	0.3
Department for Digital, Culture, Media & Sport	0.2	0.0	0.2
Cabinet Office	0.0	0.1	0.1
HM Treasury	0.0	0.1	0.1
Total	**119.2**	**182.2**	**301.4**

12 Includes cases with an estimated value based upon MODs Nominal Offence Value framework.
13 In 2016-17 the Department for International Development recovered £18.4m.
14 Excluding tax and welfare.
15 Dissolved as of July 2016 (now part of BEIS).

Part four – The Government Counter Fraud Profession (GCFP)

Introducing the profession

The launch of the Government Counter Fraud Profession demonstrates our commitment to tackling fraud and economic crime, by investing in around 10,000 counter fraud specialists who serve to tackle fraud and economic crime against the public sector.

Over the past three years specialists from over 100 organisations (comprising of both private and public sector organisations) have come together to develop and agree a structure for the profession – this includes:

- governance arrangements
- the counter fraud framework, and
- professional standards and guidance

The profession was formally launched on 9th October 2018 with over 3,000 public sector members.

To effectively deal with fraud, specialists require the right balance of skills, knowledge and experience that can take many years to develop. The structure of the profession is centered on the counter fraud framework (see figure 1). Introducing this framework gives a common understanding of the counter fraud skill sets, which evolves beyond the traditional focus of investigation to a diverse range of counter fraud disciplines including fraud risk assessment, measurement and the use of data and analytics.

The structure creates development opportunities for counter fraud specialists, enabling them to identify new and existing skills and build career pathways in their current discipline (from Trainee through to Advanced Practitioner level). Members can also broaden out to other disciplines and sub-disciplines (such as cyber fraud and bribery and corruption) to further develop

Figure 1. The counter fraud framework

Core Disciplines	**Leadership, Management and Strategy**				
	Risk Assessment	Measurement	Prevention and Deterrence	Use of Data and Analytics	
	Detection	Intelligence and Analysis	Investigation	Sanctions, Redress and Punishment	Culture
Sub Disciplines	Bribery and Corruption	Money Laundering	Disruption	Cyber Fraud	Criminal Justice

their skills. Organisations can also use the structure to understand the skill sets and limitations they work with.

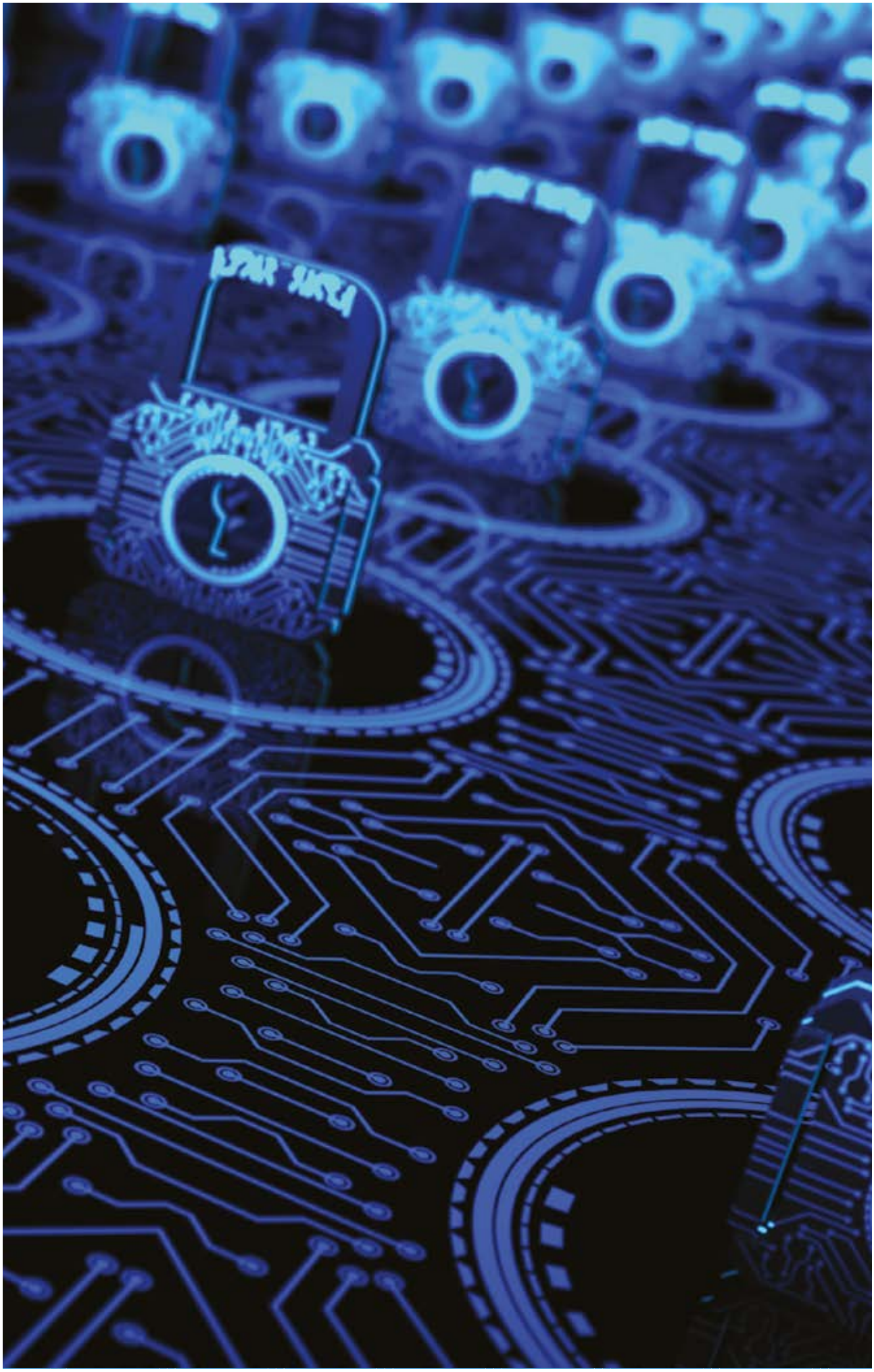
The Professional Skills Platform

One of the features of the profession is the Professional Skills Platform (PSP). The PSP is the registration portal for the profession and the key information repository for all members. The PSP also enables government to see for the first time the breadth of skills in counter fraud across the public sector.

This tool enables members to self-assess their knowledge, skills and experience against their desired discipline(s), and also log their learning and development activity to inform and plan their career journey.

Future vision

Our vision is for the profession to continue to be recognised as world leading – opening opportunities from different disciplines and sectors to join, and to build an internationally recognised accreditation. Through this we will ensure the public sector has the skills and capability to meet the ever-evolving threat from fraud and economic crime.



Part five – Functional standards for counter fraud

Our performance at a glance

In 2017 government launched a set of functional standards for counter fraud (see figure 2). The functional standards detail the main components government organisations should have in place to deal with fraud effectively.

Since launch, 57 organisations have commenced the adoption of the functional standards for counter fraud, including 17 government departments and 40 ALBs.

In 2017-18, the Cabinet Office Centre of Expertise for Counter Fraud assessed how organisations were progressing against the functional standards and we found strong evidence that organisations were adopting, working towards or meeting the standards overall.

In addition, there was a notable improvement in the number of organisations that demonstrated full or partial compliance against individual standards that were previously not met in 2016-17.

Figure 2. The functional standards for counter fraud (as launched in 2017)

All organisations that spend over £100m will:

1. Have an accountable individual at Board level who is responsible for counter fraud
2. Have a counter fraud strategy that is submitted to the centre
3. Have a fraud risk assessment that is submitted to the centre
4. Have a fraud policy and response plan detailing where accountability for fraud lies within the organisation, its delivery chain and how the organisation reacts to potential instances of fraud
5. Have an annual action plan that summarises key actions to improve capability, activity and resilience in that year
6. Have outcome-based metrics summarising what outcomes they are seeking to achieve that year. For organisations with 'significant investment' in counter fraud or 'significant estimated' fraud loss, these will include metrics with a financial impact
7. Have well established and documented reporting routes for staff, contractors and members of the public to report fraud suspicions, and a mechanism for recording these referrals and allegations
8. Report identified loss from fraud and error, and associated recoveries, to the centre in line with the agreed government definitions
9. Have agreed access to trained investigators that meet the agreed public sector skill standard
10. Undertake activity to try and detect fraud in high risk areas where little or nothing is known of fraud levels, including using loss measurement activity where suitable (i.e. using the FMA programme)
11. Ensure all staff have access to fraud awareness training

Top 5 areas of improvement

The results of the 2018 assessment highlighted where government organisations needed to improve against the functional standards for counter fraud – the top 5 areas were:

- fraud risk assessments (i.e. using the fraud risk assessment to identify areas of exposure and gaps/weaknesses in current controls)
- outcome based metrics (i.e. having measures in place to monitor the effectiveness of counter fraud activity)
- undertaking activity to try and detect fraud in high risk areas (i.e. using the FMA programme or other tools to detect fraud)
- having a counter fraud strategy
- having an annual action plan and delivering against it

Government Functional Standard GovS 013

In 2018 the Cabinet Office Centre of Expertise for Counter Fraud worked closely with the Civil Service Group to develop a Government Functional Standard for Counter Fraud, Bribery and Corruption (GovS 013). This standard builds upon the functional standards for counter fraud (see figure 2) and sets the expectations for the management of fraud, bribery and corruption risk in government organisations.

The Government Functional Standard for Counter Fraud, Bribery and Corruption was launched in October 2018. GovS 013 is part of a suite of operational standards, and these set the expectations for the management of activity in government functions.

Annual assurance against GovS 013

The Centre of Expertise for Counter Fraud will carry out annual assurance against GovS 013 to determine the compliance level in government. In line with the government's transparency agenda, the following will be published:

- From 2019 – departmental and ALB compliance against the counter fraud elements of GovS 013
- From 2020 – departmental and ALB compliance against the bribery and corruption elements of GovS 013

Performance by government departments

This table shows the total number of counter fraud functional standards that were met, partially met or not met by government departments in 2017-18.

Department	Not met	Partially met	Met
HM Revenue and Customs[16]	0	0	11
Ministry of Defence	0	0	11
Department for Education	0	1	10
Department for Work and Pensions[16]	0	1	10
Department for International Development	0	1	10
Department for Business, Energy and Industrial Strategy	0	2	9
Foreign and Commonwealth Office	0	2	9
Ministry of Justice	0	2	9
Cabinet Office	0	2	9
Home Office	0	2	9
Department for Environment, Food and Rural Affairs	0	3	8
Department of Health & Social Care	0	4	7
Department for Transport	0	4	7
HM Treasury*	5	0	6
Department for Digital, Culture, Media & Sport	1	5	5
Ministry of Housing, Communities & Local Government	2	4	5
Department for International Trade**	4	2	5

Note:

*HM Treasury commenced the adoption of the functional standards in August 2018 and meets the standard in a number of key areas.

**The Department for International Trade (DIT) is a relatively new department and commenced the adoption of the functional standards in January 2018. DIT meets the standard in a number of key areas.

The Department for Exiting the European Union is working towards the implementation of the functional standards in 2019.

16 Performance relating to internal fraud only.

Part six – Fraud measurement and assurance

Introducing the programme

We are continuing to find fraud in new areas through the FMA programme.

The FMA programme has been running since 2014 and has undertaken 48 exercises across a wide range of areas including:

- government grants
- procurement
- travel and subsistence, and
- areas of health spend

Key to the programme's success is the ability to identify high-risk areas where fraud could be present by carrying out detailed fraud risk assessments, and then identifying evidence to be used in testing that allows conclusions to be drawn on whether fraud or error has occurred. This, combined with the use of random sampling techniques, provides a sound basis by which to test for fraud and error (irregularity).

2016-17 results

In 2016-17 the FMA programme tested £226m of transactions across 10 areas with a total spend of £1.9bn. The results found irregularity in 8 out of 10 exercises with a total loss estimate of £39m.

The results continue to demonstrate the value of the programme in finding more fraud and error, particularly in high risk areas where little is known of current levels.

Annual fraud and error estimates

Government uses the loss estimates from the FMA programme to assess the potential range of losses that could exist in areas of spend which do not yet have a loss estimate.

In 2018 the FMA Oversight Board concluded that there is an upper and lower range for likely losses: 0.5% to 5.0%. This range has been used to produce the loss estimates in part two of this report, and represents the potential range of losses that could exist in areas of spend, where the level of fraud and error is unknown.

Future vision

Government wants every organisation to undertake proactive detection activity to find more fraud. To achieve this, the Cabinet Office Centre of Expertise for Counter Fraud will support organisations by developing and delivering FMA training as a standalone product, alongside running a centrally managed bi-yearly programme of FMA activity.

Part seven – Using data to better find and prevent fraud

How government is using data

Government is committed to using data and data analytics to find fraud. We have already made significant progress in areas such as welfare and tax to increase capability in this area. The use of data services including GOV.UK Verify (the government's online ID service) is transforming the way citizens interact with our online services, including our ability to prevent and detect fraud.

Our movement towards a future where data is increasingly used to detect fraud and protect public services is underpinned by the Digital Economy Act 2017. The Act introduced new powers to enable public authorities to share personal data to prevent, detect, investigate and prosecute public sector fraud. The Act received Royal Assent in April 2017 and the Cabinet Office has put in place a code of practice and the necessary safeguards to enable data sharing in government whilst protecting the privacy of the citizen.

The Cabinet Office Centre of Expertise for Counter Fraud has invested in a Data Analytics Development Team to support central government in running counter fraud data analytics pilots. In 2017-18 the team ran 7 pilots and found fraud in 5 out of 7 areas including:

- Personal Independence Payments (PIP)
- Applications for Legal Aid
- Northern Ireland healthcare provisions
- Student loan applications
- The setting of Court fines[17]

In other areas outside of central government, the Centre of Expertise for Counter Fraud delivered the National Fraud Initiative (a data matching service) that continues to be used by more than 500 government organisations to detect and prevent fraud. Details of the full savings to local government can be found in the NFI annual report.[18]

Development of best practice

In 2017-18 the Data Analytics Development Team produced best practice guidance on the use of data and data analytics to counter fraud. This guidance is being rolled out across central government and supports departments in planning, designing and running data sharing pilots with the ultimate aim of finding and preventing more fraud.

17 Based upon the financial means of the defendant
18 NFI Annual Report April 2016 to March 2018.

Part eight – The International Public Sector Fraud Forum

Introducing the forum

UK government wants to be at the global forefront of counter fraud thinking and wants to implement good practices that enable it to continuously improve.

In 2018 the Centre of Expertise for Counter Fraud launched the International Public Sector Fraud Forum initiative and commenced the sharing of best practice with overseas governments.

The founding members of the International Public Sector Fraud Forum are:

- Australia
- Canada
- New Zealand
- United Kingdom
- United States of America

At present, UK government leads the work of the forum with input from all member countries and their respective governments. Its members have agreed common areas of interest and have commenced the sharing of best practice.

The international symposium

In February 2018 the Cabinet Office hosted a symposium with its founding members in London. The symposium coincided with the 2018 Fraud and Error Conference and provided its members with a detailed understanding of challenges, and approaches taken by their respective governments in dealing with public sector fraud.

Future vision

In addition to delivering on the agreed areas of interest, the focus is to ensure all members are getting value from international collaboration on countering public sector fraud. If we can show value, then we will expand our membership to include other countries.