



National Audit Office




REPORT

Progress combatting fraud

Home Office

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Report by the Comptroller and Auditor General

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Gareth Davies
Comptroller and Auditor General
National Audit Office

11 November 2022

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Key facts

3.8mn

the estimated number of actual or attempted incidents of fraud against individuals in England and Wales in the year ending June 2022

6.6%

the estimated percentage of people aged 16 and over in England and Wales who were a victim of actual or attempted fraud in the year ending June 2022

41%

the approximate percentage of all estimated crime against individuals in England and Wales in the year ending June 2022 represented by fraud

£4.7 billion

the Home Office's (the Department's) most recent estimate of the cost of fraud to individuals (based on 2015-16 data and in 2015-16 prices)

Unknown

the Department does not have a reliable estimate of the cost of fraud to businesses

5 of 52

the number of actions in the Economic Crime Plan 2019–22 that relate to fraud for which the Department is jointly or singly responsible

Less than 1%

percentage of police personnel involved in conducting fraud investigations in the year ending March 2020

4,816

the number of fraud cases that resulted in a charge or summons during the year ending March 2022

Summary

Introduction

1 The term 'fraud' covers a wide range of criminal activity, but at its heart, relates to an act of dishonesty, normally through deception or breach of trust, with the intent to either make a gain or cause a loss of money or other property. Criminals can employ a wide variety of approaches to commit fraud but around 80% of fraud offences in the United Kingdom (UK) are enabled through computer technology. Tackling fraud therefore presents particular challenges because criminals can target thousands of victims remotely from anywhere in the world.

2 The Home Office (the Department) is ultimately responsible for preventing and reducing crime, including fraud. In doing so it needs to work with many other bodies including, but not limited to, the National Crime Agency (NCA), which includes the National Economic Crime Centre (a multi-agency response organisation hosted within the NCA); the City of London Police (the national lead force for fraud); other government departments; the finance, technology and telecoms sectors; and international partners. Many of these organisations and sectors are also represented on the Joint Fraud Taskforce, which is chaired by the Home Office, and is a partnership between the private sector, government and law enforcement to tackle fraud collectively.

Scope of the report

3 We last reported on the Department's response to fraud in our 2017 report *Online fraud*.¹ We concluded that fraud had been overlooked by the government, law enforcement, and industry, was rapidly growing, and demanded an urgent response. Following our report, the Committee of Public Accounts also reported on this subject in its 2017 report *The growing threat of online fraud*.² Since 2017, the scale of fraud has increased. This report considers:

- the nature and scale of fraud, and where the responsibility lies for tackling it (Part One);
- whether the Department is working effectively with others to tackle fraud (Part Two); and
- whether the Department understands the impact of its actions to tackle fraud and is learning and improving its approach (Part Three).

Our analysis is based primarily on what we expect to see against the framework of good practice principles that we have developed for evaluating cross-government strategies. This considers the extent to which government has adopted a whole system approach to a cross-government issue (see **Figure 1**). We have not sought to reach a value for money conclusion on the Department's approach to tackling fraud, but rather to conclude whether the Department's approach follows good practice. Further details of our methodology and evidence base are set out in Appendix One.

4 Our report focuses primarily on the Department but includes reference to other public and private sector organisations where these are relevant. It focuses on the Department's work to tackle fraud against individuals and businesses. It does not cover fraud in the public sector; wider cyber-crime, such as hacking; or other crimes conducted through the internet, such as bribery.

5 In March 2022, the Department set out its intention to develop a new fraud strategy to address the threat posed by fraud. It has not yet published this strategy but told us that it hopes to do so before the end of 2022. The issues we identify in this report are intended to inform and support the implementation of the new strategy.

¹ Comptroller and Auditor General, *Online fraud*, Session 2017–2019, HC 45, National Audit Office, June 2017.

² Committee of Public Accounts, *The growing threat of online fraud*, Sixth Report of Session 2017–2019, HC 399, December 2017.

Figure 1

Our evaluation framework of good practice principles for effective cross-government strategies

An effective cross-government strategy requires a whole-system approach

1 Taking a whole-system approach

A clear understanding of what the system is, with all parties involved in developing a picture of how the system works and incentivised to work towards agreed system-level goals.

An integrated system-level plan is developed and maintained that aligns the working of all parties and manages interdependencies and system-wide constraints.

Measurable objectives set for bodies responsible for delivering change that are aligned and consistent with overall cross-government goals.

Capable leaders at all levels of the system drive joined-up working and foster a culture that engages, 'hearts and minds' in achieving the goal.

2 Setting direction (paragraphs 2.3 to 2.13)

Clear aims for what government wants to achieve and how this is to be prioritised against other objectives.

A realistic timetable setting out when key decisions will be made, with sufficient certainty for long-term planning by external bodies but enough flexibility to adapt to change and innovation.

Defined roles and responsibilities for meetings goals, with effective coordination across central government and between central and local government.

Governance arrangements ensure issues are visible to those who need to know about them, and timely decisions are taken by those best placed to make them.

3 Working through others (paragraphs 2.14 to 2.23)

Government knows which external bodies are involved in meeting its goals and what it wants from them, understands their needs, and builds credibility, trust and support for its approach.

Evidence-based understanding of the policy levers that can bring about change, and how these will impact and are impacting the private sector and individuals.

Government has allocated risk and responsibility appropriately to external bodies and understands their required resources, capabilities and skills.

Where delivery is through external bodies, government has sufficient oversight and can intervene or change approach if progress is insufficient.

4 Monitoring, learning and improving (paragraphs 3.3 to 3.10)

Relevant and consistent performance data collected with an understanding of how activities will lead to desired outcomes.

Progress reported regularly and transparently so that issues can be identified and addressed in a timely manner.

Information used to drive decision-making and improvement.

Opportunities to learn are maximised through robust pilots and evaluations, which test both new ideas and how established policies are working, with learning brought together to ensure that insights are shared.

Note

1 Further information about how we designed this framework is available at Appendix One.

Source: National Audit Office

Key findings

On whether the Department understands the nature and scale of fraud

6 The threat from fraud is increasing and evolving but the number of frauds resulting in a charge or summons is falling. Fraud was the single largest category of crime in England and Wales in the year ending June 2022 comprising 41% of all crime against individuals, compared with 30% in the year ending March 2017. There were an estimated 3.8 million incidents of actual or attempted fraud against individuals in the year to June 2022, an increase of 12% on the year to March 2017. During the year ending June 2022 around 6.6% of people aged over 16 in England and Wales were victims of actual or attempted fraud. The threat posed by fraud is also changing. While bank and credit card fraud are still the most common type, other forms of fraud are increasing rapidly. For example, incidents of advance fee fraud, where victims are encouraged to make upfront payments for non-existent goods or services, increased from 77,000 to 611,000 (an increase of nearly 700%) between the years ending March 2017 and June 2022. The number of frauds recorded by the police has increased, from 631,000 in the year ending June 2017 to 987,000 in the year ending June 2022. However, the number of fraud offences resulting in a charge or summons is falling: in the year ending March 2017, 6,402 fraud cases resulted in a charge or summons but this fell to 4,816 in the year ending March 2022. Less than 1% of police personnel were involved in conducting fraud investigations in the year ending March 2020 (paragraphs 1.6 to 1.10 and Figures 4 and 5).

7 There are still significant gaps in the Department's understanding of the threat from fraud. The Department does not have a complete or up-to-date estimate of the cost of fraud to the economy. Its most recent estimate of the cost of fraud to individuals is £4.7 billion (in 2015-16 prices). This is based on 2015-16 data and the Department is currently working on a more up-to-date estimate. It does not have any reliable estimate of the cost of fraud to businesses. It also has a limited understanding of the perpetrators of fraud or those who enable it by their action or inaction. It has acknowledged and intends to address some gaps in its understanding of issues including the scale of fraud, the level of harm fraud causes, and specific sector vulnerabilities (paragraphs 1.11, 3.3 to 3.5 and Figures 6 and 11).

On whether the Department is working effectively with others to tackle fraud

8 The government has launched overlapping strategies covering fraud and economic crime but has yet to set and report on any desired outcomes.

These strategies have covered a range of topics including cyber security, anti-corruption, and serious and organised crime, which has made it challenging to focus and coordinate the activities of partners. In 2019, the government published the Economic Crime Plan, which described 52 actions to address the full range of economic crime, of which the Department was jointly or singly responsible for five related to fraud. However, these were expressed as aspirations rather than outcomes relating to what the Department wanted to achieve regarding the scale of fraud or mitigating its impact. In reporting progress against the Economic Crime Plan in April 2021, the Department announced plans for a three-year Fraud Action Plan recognising that more needed to be done to tackle the threat of fraud. In March 2022, the Department set out plans for a new fraud strategy, building on the initial development of the Fraud Action Plan (paragraphs 1.12, 2.3 to 2.7, 2.9 and Figures 7 and 8).

9 The Department has attempted to simplify its governance arrangements in relation to fraud. The Department's response to fraud has been overseen by multiple boards that have evolved over time with overlapping memberships. The Department has taken steps to address weaknesses – for example, it took over chairing the Joint Fraud Taskforce from Cifas, a not-for-profit organisation working to reduce fraud, in 2021, to refocus the group and give it a clearer remit. In 2021, it also undertook to simplify governance arrangements. The Department considers that the new structure, which has been in place since April 2022, provides greater clarity over remits and responsibilities (paragraphs 2.7, 2.10 to 2.13 and Figure 9).

10 The Department has limited influence over many of the organisations required to successfully combat fraud. Successfully addressing the threat of fraud depends on the Department building relationships with a wide range of bodies and influencing the behaviour of the public and businesses. The Department's relationships with these bodies are at varying levels of maturity. It has recognised that it needs to strengthen its influence in some areas – for example, through introducing new voluntary industry charters that set out the actions that partners have committed to take to reduce the risk of fraud. However, there can be inherent tensions in what is being asked of the private sector, because initiatives to reduce fraud can add processes that slow the customer journey. The Department does not sufficiently understand the capacity and capability of its partners (such as in law enforcement and the private sector) to tackle fraud, which limits its ability to influence their activities (paragraphs 2.14 to 2.23).

On whether the Department understands the impact of its actions and is improving its approach

11 The Department does not understand the full extent of resources dedicated to combatting fraud, nor what impact this is having. In 2017, we recommended that the Department establish arrangements for measuring the impact its work was having on fraud. Five years on, the Department has made some improvements to its collation and monitoring of fraud data. For example, it has established a Fraud Data Board which seeks to ensure it, and its partners, have the data they need to respond effectively to the threat of fraud. However, it still does not have a complete picture of what is being spent on tackling fraud by its partners in the public and private sectors, or how effective this spending is. In addition, while in the past year the Department has begun to work more closely with international partners, this work is still in the relatively early stages and the Department has limited understanding of the international response on fraud, or how the UK's response compares with other countries. We did identify some positive examples of the Department's monitoring and reporting of actions to tackle fraud and its use of data to drive decision making. However, without a better understanding of its overall impact, or stronger mechanisms for learning from experience, the Department will not be able to prioritise and adapt its approach (paragraphs 2.16 to 2.21 and 3.3 to 3.10 and Figure 11).

Conclusion

12 Fraud is a significant and growing problem. It currently accounts for around 41% of all crime against individuals. Tackling fraud is a complex issue that requires coordinated action from government, bodies across the public and private sectors, and the public. In 2017, we concluded that fraud had been overlooked by government, law enforcement and industry, and we urged the Department to lead the change that was required. While it has taken some limited actions to improve its response to fraud, five years on, the Department is not yet leading an effective cross-government approach and has had limited influence over its partners in the public and private sectors. It has lacked a clarity of purpose and robust data on the scale of the problem and the resources being deployed, and it has no reliable way of measuring the financial impact or value for money of its policies.

13 The Department's new Fraud Strategy presents an opportunity to reinvigorate its ambition and address the gaps in its approach. But, for this to be successful, the Department needs to lead a whole-system response that properly coordinates and targets available resources, informed by a thorough understanding of the size and nature of the threat and what works in tackling it.

Recommendations

- 14** To provide confidence that it is leading an effective cross-system response to the threat of fraud, the Department should do the following:
- a** Complete and publish its strategy for tackling fraud as soon as possible, ensuring that this sets out:
 - what outcomes it is seeking to achieve and by when it is seeking to achieve them; and
 - a system-level plan for achieving the desired outcomes, underpinned by specific objectives and actions that are attributed to individual delivery partners and informed by an understanding of the resources they are able to deploy and the barriers they face.
 - b** Put in place the arrangements necessary to measure progress and to reprioritise and adapt its strategy, including by:
 - producing an up-to-date measure of the cost of fraud to individuals and businesses, and updating this sufficiently frequently, to allow it to measure the impact of its actions;
 - developing and publishing an evaluation strategy that covers all strands of activity and, where possible, seeks to control for the wider factors that may affect outcomes; and
 - embedding its new governance arrangements to ensure that they are understood by all partners and operating effectively to monitor progress and hold delivery partners to account.
 - c** Build on the research undertaken by the National Economic Crime Centre to review and align the range of existing communication strategies so that partners are presenting coherent and targeted messages to businesses and individuals about how to protect themselves from fraud.
 - d** Build on its early work with international partners to:
 - strengthen its understanding of the international response to tackling fraud; and
 - establish the relationships necessary to work effectively with overseas partners to address the threat that fraud poses.