



- Setting standards and policy
- Building a profession
- Better use of data
- Reducing harm and loss

Working in Partnership to Fight Fraud

May 2019



Who We Are



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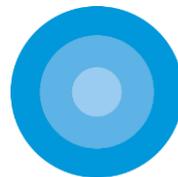
Cabinet Office

The Cabinet Office is a department of the Government of the United Kingdom responsible for supporting the Prime Minister and Cabinet of the United Kingdom. It is one of only two Government Departments that can influence the whole of Government. It is composed of various units that support Cabinet committees and which co-ordinate the delivery of government objectives via other departments



Government Counter Fraud Function

The Government Counter Fraud Function is transforming government by bringing together people, process and specialist expertise across departments and arms length bodies. Doing this improves the capability that public bodies can access and helps them to fight fraud.



The Centre of Expertise for Counter Fraud

We work at the Centre of the Government Counter Fraud Function to understand the risk posed by fraud and financial crime and then to work with public bodies to support them in increasing their capability to counter fraud and reduce the loss through fraud.

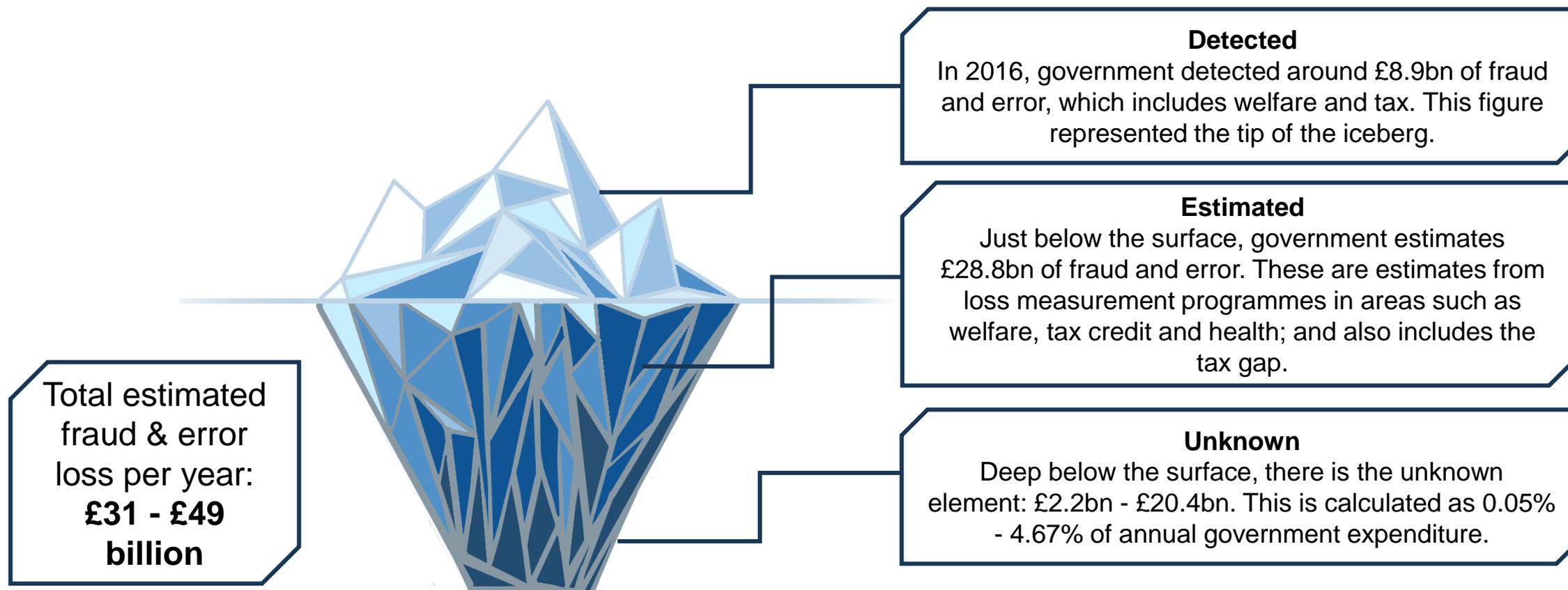


The Size of the Challenge



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The Fraud Iceberg shows what we know about fraud loss in the public sector. It shows that, outside of tax and welfare, there is a large area where fraud loss is unknown. The best evidence we have suggests there could be significant fraud not being detected.





What We Do



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Key Activity of the Centre of Expertise

- **Measure the scale** and impact of Fraud
- Collaborate across Government to set the **Functional Standards** for Counter Fraud
- Create the Government Counter fraud **Profession**
- Develop Government's Capability to Use Data and **Data Analytics** to Fight Fraud



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Fraud Measurement

Fraud Measurement & Assurance



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Fraud Measurement and Assurance (FMA) seeks to take away this uncertainty of the unknown fraud rates and uncover the areas where money is being lost, so that public bodies can take informed preventative action.



- Identify high risk spend areas in your organisation
- Score them against the provided risk categories
- Select one area of spend to use for the next step

- Undertake a detailed fraud risk assessment on the selected spend area
- Identify fraud risks, controls, risk, available evidence to test
- Decide which of these to test

- Undertake testing on selected fraud risks
- Produce a report on the findings
- Define value and percentages of any cases of fraud and error that are found



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Functional Standards



The Functional Standards



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The Functional Standard sets out the basics that public bodies should have in place to find and fight fraud. All public bodies should understand and seek to meet the standard. Every year, public bodies responsible for more than £100m are reviewed against the standard. The results of these reviews are published in the annual Fraud Landscape Report.

1
Have an accountable individual at Board Level

2
Have a counter fraud strategy submitted to the centre

3
Have a fraud risk assessment

4
Have a fraud policy and response plan

5
Have an annual action plan

6
Have outcome based metrics

7
Have well established reporting and recording routes

8
Report identified loss and recovery to the centre

9
Have agreed access to trained investigators

10
Undertake activity to try and detect fraud in high risk areas

11
Ensure all staff have access to fraud awareness training

12
Have agreed access to trained investigators



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The Government Counter Fraud Profession



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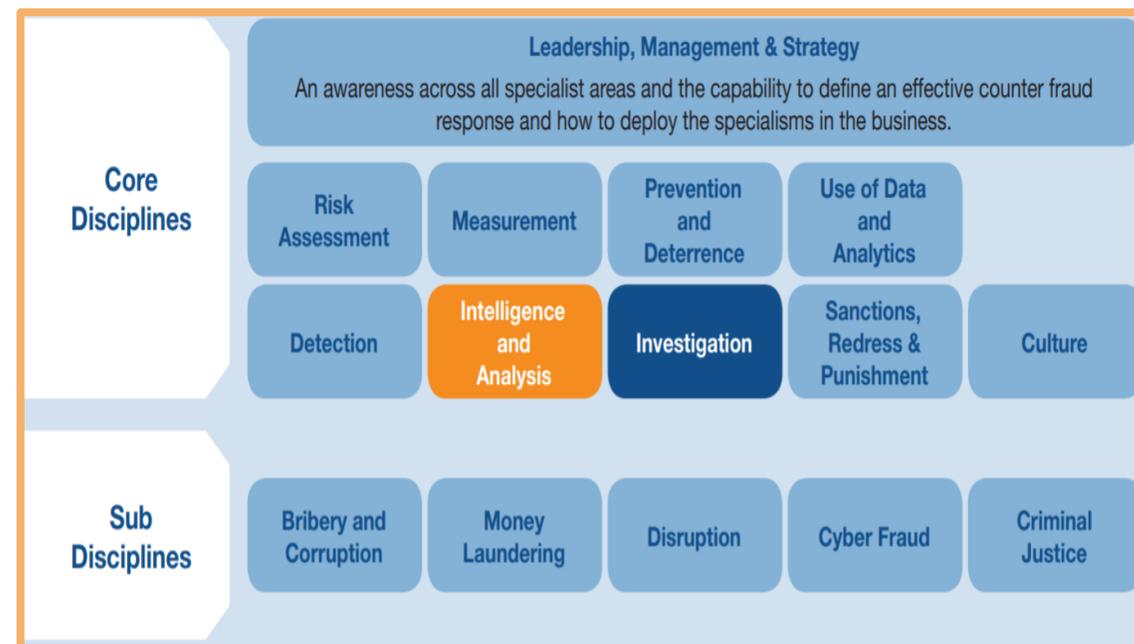
Over the past three years specialists from over 100 organisations (comprising of both private and public sector) have come together to develop and agree a structure for the Government Counter Fraud Profession.

This includes:

- Governance arrangements
- A framework of disciplines
- Common Professional standards and guidance

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 (e.g. investigation) and beyond (e.g. data and analytics or fraud risk assessment). As the Profession matures it will expand the standards and guidance on offer to specialists and provide tools and products to aid learning and development.

Professional Standards & Competencies





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Data Analytics: The Wales Educational Maintenance Data Pilot



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Educational Maintenance Allowance - Pilot Overview

The Cabinet Office collaborated with the Welsh Government and Wales Audit Office to deliver an innovative approach to identify fraudulently undisclosed persons in Education Maintenance Allowance (EMA) applications. It used a combination of HMRC and Equifax credit reference agency data to identify relevant persons who were living with the applicant but had not been declared in the application.

What We Did



Cross Government organisations with private sector support **collaborated...**



...to find **fraud by omission** in Education Maintenance Allowance applications ...



...using **innovative data matching and data analytics ...**



... and identified **significant rates of fraud & error**



A New & Innovative Approach

This pilot was in many ways ground breaking



It applied a new HMRC household composition analysis method externally to HMRC for the first time for counter fraud purposes



It combined HMRC and credit reference agency data for counter fraud purposes in an 18 week pilot for the first time to provide a single view of a household



The Cabinet Office created a new fraud risk assessment model to prioritise the applications with the highest fraud risk - this delivered great results



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EMA Fraud Risk Analytics Assessment Framework

The Criteria



The confidence of the data matching technique used to identify the declared persons and address in the HMRC and Equifax data



If the undisclosed person had the same surname as any of the declared persons on the application



If the applicant and any/all declared persons could be identified at the declared address in the HMRC and Equifax Data



The income of the undisclosed person and if it was higher than the Education Maintenance Allowance eligibility threshold



If the identified undisclosed person(s) is the same in the HMRC and Equifax data (multi-source corroboration)



If the number of undisclosed persons in the address was greater than five as it suggests a house of multiple occupancy and creating a data quality issue



The timeframe that the undisclosed person had been at the property in relation to the application date



The removal of undisclosed persons where the age relationship to the applicant was within 14 years as it was probable that they were a sibling



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What Did We Find?

Key Outcomes	
The rate of EMA applications with an fraudulently undisclosed person that impacted the eligibility for the award.	5.5%
The rate of EMA applications where an error impacted the eligibility for the award.	1.3%
The rate of investigated data matches where there was no issue found (false positive rate). <i>Reviewing matches where there is no fraud and error wastes resource, so keeping this number low leads to a productive system. This is the lowest we have seen in this area.</i>	5.5%
The value of the fraud and error found in the Welsh Government £27m EMA annual budget.	£1.8m
The value of the preventative saving realised directly just from the pilot	£104k

Note: Whilst these figures are small in the context of the whole of Government, they are significant to the management of the Welsh Education Maintenance Allowance Budget.

The Bigger Picture



This pilot is a great example of collaborative working between the UK Government and the Welsh Government/WAO.



We demonstrated the value of combining public (HMRC) and private (Equifax) data to identify undisclosed persons.



We will share what we have learnt with the Counter Fraud Analysts Forum in Government.



Data shares can be completed quickly and have impact.



We are consistently finding previously undetected fraud between 0.5%-6% in our data analytics pilots. This supports the Centre of Expertise view that there is significant undetected loss in the system.



This new approach is now being used to prevent fraud in higher education and will be trialled to tackle housing, council tax and benefits related fraud in the future.



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Key Insights from the Centre



Fraud is a Complex, Diverse and Evolving Crime

- The Crime Survey for England and Wales recognises fraud as being one of most prevalent crimes in society today. Perpetrators vary from opportunistic individuals to serious and organised criminals from the UK and beyond.
- The advent of digital channels has created new risks and made it easier for people to commit fraud.
- Fraud presents a risk to individuals and public bodies. The scale and sophistication of fraud continues to increase.

You Can't Fight it If You Don't Find It

- Public bodies should not wait or rely on others to find and uncover it. Today, mature organisations take proactive control of their own fraud risk through investment in, or access to, counter fraud capability in the form of skilled, experienced individuals equipped with effective tools.

There Is No Silver Bullet

- All parts of the counter fraud community need to work together to fight fraud.



Over to You



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Questions

- What Are you Barriers to Fighting Fraud?
- How Can You Work Together?
- How Can We Help You?