



National Audit Office



REPORT

Progress combatting fraud

Home Office

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Progress combatting fraud

Home Office

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.

Part One

Introduction to fraud

1.1 This part of the report provides an overview of fraud including:

- describing what fraud is;
- setting out responsibilities within government for tackling fraud against individuals and businesses;
- explaining how the scale and threat from fraud have changed;
- setting out estimates of the cost of fraud; and
- describing key government actions relating to fraud since 2016.

Fraud

1.2 The Fraud Act 2006 sets out the circumstances under which a person will be deemed guilty of committing fraud. These include if a person acts dishonestly with the intention “to make a gain for himself or another” or “to cause loss to another or expose another to a risk of loss”.³ The term ‘fraud’ therefore covers a wide range of criminal activity (**Figure 2**). Because the definition is about the intention, attempted fraud (where the fraud is not successful) is also included in the definition of fraud. Criminals can initiate fraud offline – for example by stealing a credit card; through the internet – via social media or emails; or by accessing data held by banks or other organisations. Criminals do this by methods including:

- phishing (sending spoof emails to encourage victims to enter sensitive information on a fake website);
- social engineering (deceiving individuals into sharing sensitive personal information);
- malware (malicious software designed to gain access to sensitive information); or
- illegally purchasing personal data.

³ *Fraud Act 2006, c. 2*. Available at: www.legislation.gov.uk/ukpga/2006/35/section/2, accessed 2 November 2022.

Figure 2

Examples of fraud

There are a wide variety of different types of fraud

| Fraud type | Definition |
|---------------------------|---|
| Bank card or cheque fraud | A stolen card or cheque, or personal information stolen from a card or chequebook, is used to commit fraud. Fraudsters use the cards or details to purchase goods or obtain unauthorised funds from accounts. |
| Shopping fraud | Fraudsters use fake online shopping websites designed to steal money and personal details. |
| Advance fee fraud | Fraudsters target victims to make advance or upfront payments for goods, services and/or financial gains that do not materialise. |
| Romance fraud | The victim is befriended on the internet and eventually convinced to assist their new 'love' financially, by sending them money. |
| Investment fraud | A variety of scams offering income, interest or profit in return for financial investment. Fraudsters target potential investors with share sales, wine investments, rare goods and other products. Such investments are often unregulated, overpriced, high risk and difficult to sell on. |
| Courier fraud | Fraudsters contact victims purporting to be police officers or bank officials and ask the victims to co-operate with an investigation into an alleged crime. Victims might be asked to withdraw money or purchase an expensive item which they then pass over to a courier as "evidence". |

Source: National Audit Office analysis of publicly available information, taken from: www.actionfraud.police.uk/

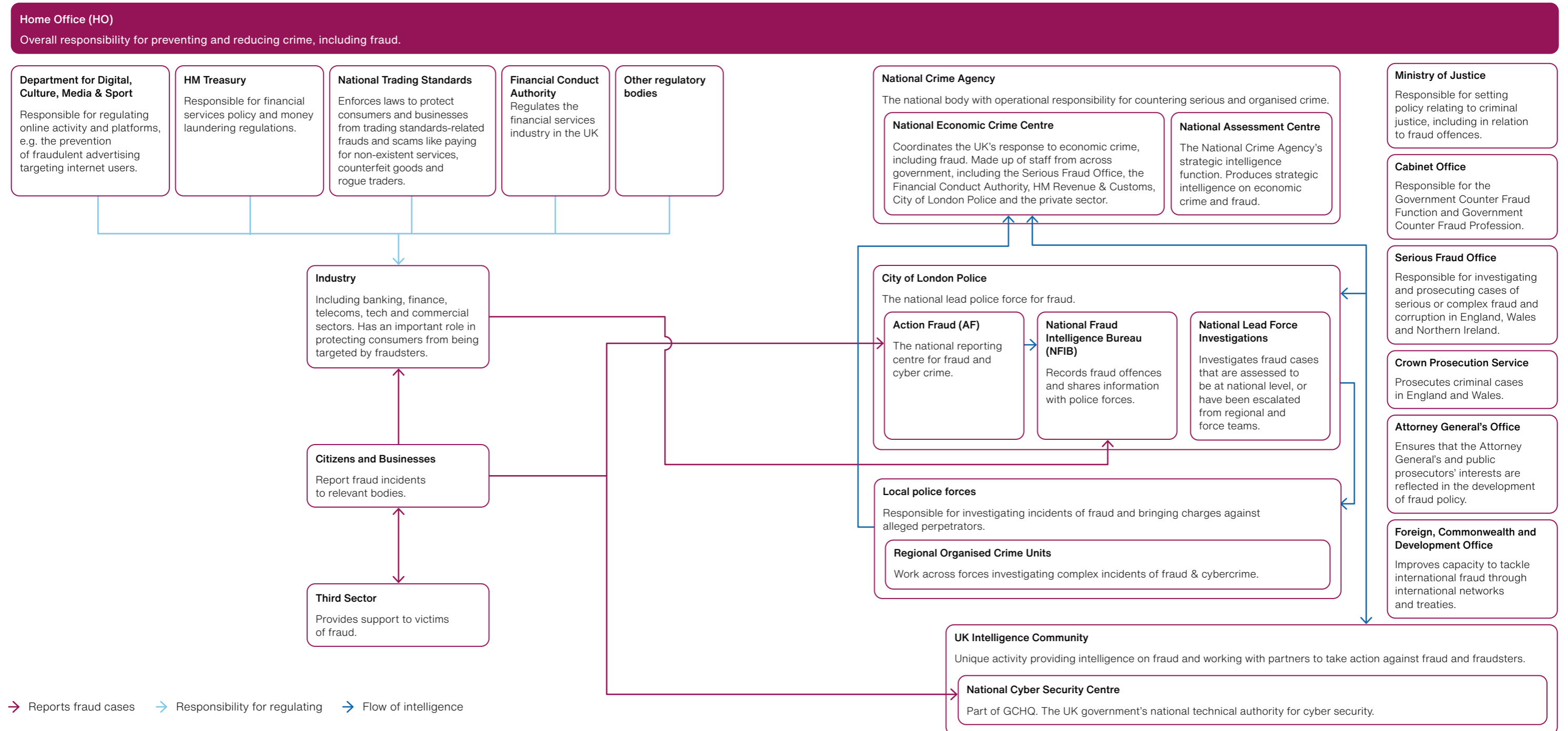
1.3 The Home Office (the Department) estimates that around 80% of fraud offences in the United Kingdom (UK) are enabled using computer technology (cyber-enabled fraud), with criminals constantly innovating to exploit weaknesses in technologies. Fraud in the UK is committed both by criminals based in the UK and by offenders overseas. As a result, fraud presents a complex challenge for government, law enforcement and industry because criminals can target thousands of victims remotely from anywhere in the world.

Roles and responsibilities

1.4 The Department is ultimately responsible for preventing and reducing crime, including fraud. The other main bodies that play a role in tackling fraud are described in **Figure 3** on pages 14 and 15 and include: the City of London Police; the National Crime Agency, including the National Economic Crime Centre (NECC); the Department for Digital, Culture, Media & Sport; HM Treasury; the National Cyber Security Centre; the Serious Fraud Office; police forces; and industry. In 2016, the government set up the Joint Fraud Taskforce to bring together public and private sector organisations to tackle fraud collectively. Its mission was to reduce the volume and impact of economic crime and the value of loss incurred, and to 'design out' fraud.

Figure 3
Organisations and other stakeholders involved in tackling fraud

The Home Office (the Department) is ultimately responsible for tackling fraud, but works to do so with a wide variety of other organisations



Note
1 Most of the organisations shown in the figure are represented on the Joint Fraud Taskforce. A full list of the Joint Fraud Taskforce partner organisations can be found at: www.gov.uk/government/publications/joint-fraud-taskforce-partner-organisations/joint-fraud-taskforce-partner-organisations

How fraud has changed since 2017

1.5 We last reported on the Department's response to fraud in 2017.⁴ At this time, fraud was already the most commonly experienced crime in England and Wales and was increasing rapidly. We concluded that fraud had been overlooked by government, law enforcement and industry. We noted that while the Department was not solely responsible for reducing and preventing fraud, it was the only body in a position to lead the change that was required. Our report made several recommendations to the Department aimed at improving available data and the Department's understanding of the impact of its initiatives to combat fraud, as well as strengthening aspects of its response. Following our report, the Committee of Public Accounts also reported on this subject in its 2017 report, *The growing threat of fraud*.⁵

1.6 In the time since our last report, the threat posed by fraud has increased. Incidences of fraud have increased, in both absolute terms and in relation to other types of crime. Fraud was the single largest category of crime committed against individuals in England and Wales in the year ending June 2022, making up 41% of all estimated crime (compared with 30% in the year ending March 2017). The Crime Survey for England and Wales recorded an estimated 3.8 million incidents of actual or attempted fraud against individuals in the year ending June 2022, an increase of 12% on the year ending March 2017 (3.4 million).⁶

1.7 The nature of fraud and the methods used by criminals have also changed. In the year ending June 2022, the most common type of fraud was bank account and credit card fraud – with 2.1 million estimated incidents, down from 2.5 million since March 2017 and now making up 55% of all estimated fraud incidents. While this type of fraud has decreased, other types of fraud have increased rapidly, with advance fee fraud increasing by nearly 700% and other fraud increasing by 134% over the same period (see **Figure 4**).

1.8 In the year ending June 2022, there were around 3.1 million victims of actual or attempted fraud – some 6.6% of people aged over 16 in England and Wales – a slight increase from 6% in the year ending March 2017. This is broadly similar to levels of theft (7.6% of people aged over 16) and much higher than numbers affected by violent crimes (1.4%). Statistics from the Crime Survey for England and Wales show that:

- a larger proportion of higher-income households were affected compared with those with lower incomes;
- individuals in a managerial or professional role were much more likely to be victims; and
- people living in the East of England, the South-East and London were most likely to be victims.⁷

⁴ Comptroller and Auditor General, *Online fraud*, Session 2017–2019, HC 45, National Audit Office, June 2017.

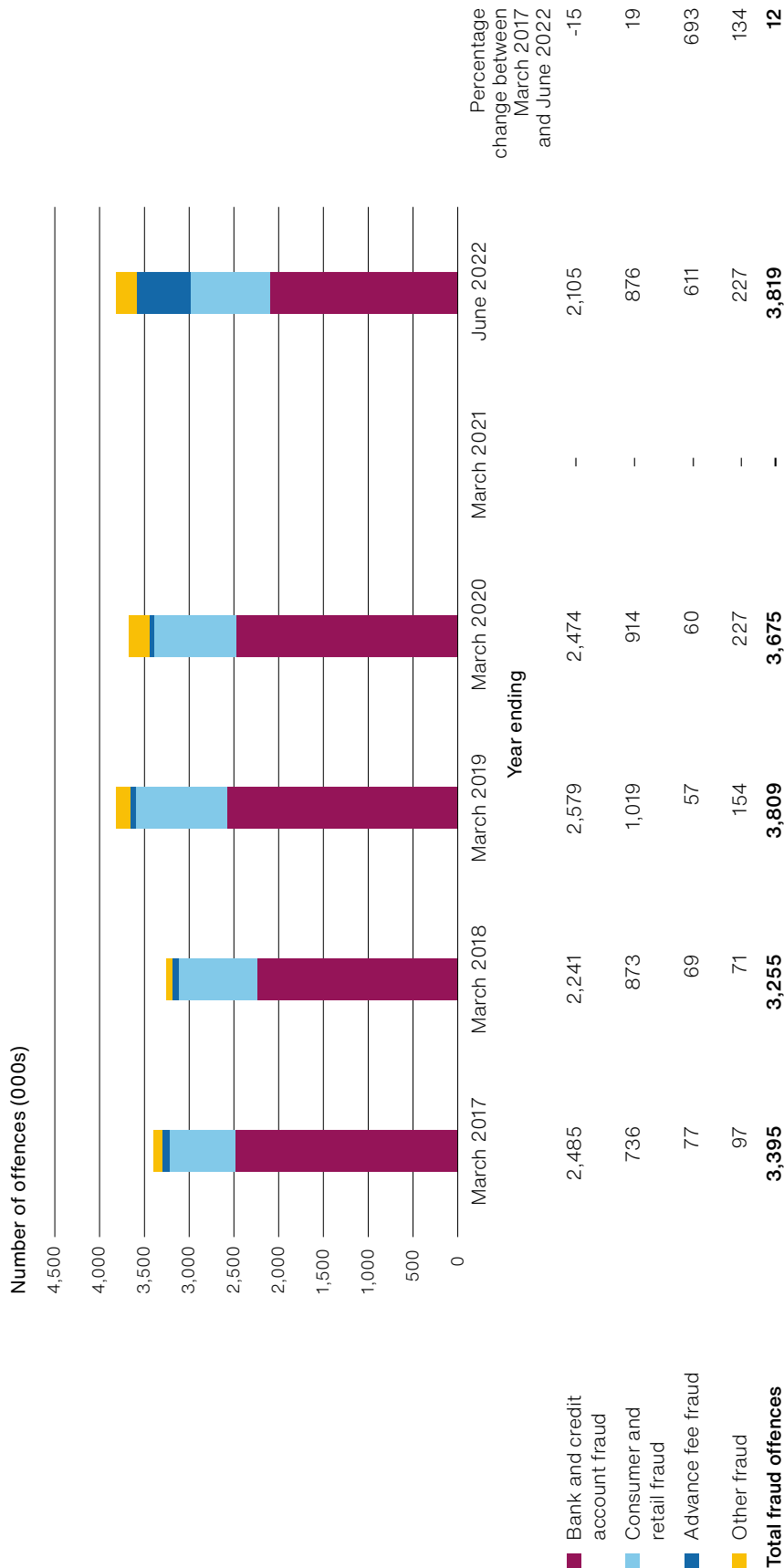
⁵ Committee of Public Accounts, *The growing threat of online fraud*, Sixth Report of Session 2017–2019, HC 399, December 2017.

⁶ Office for National Statistics, *Crime in England and Wales: year ending June 2022*, which is available at: www.ons.gov.uk/peoplepopulationandcommunity/crimeandjustice/bulletins/crimeinenglandandwales/

⁷ Office for National Statistics, *Property crime tables*, March 2020 edition, available at: www.ons.gov.uk/peoplepopulationandcommunity/crimeandjustice/datasets/focusonpropertycrimeappendixtables

Figure 4
 Estimated number of fraud offences against individuals in England and Wales, 2017–2022

The estimated number of fraud offences increased by 12% between the years ending March 2017 and June 2022



Notes

- 1 During the coronavirus pandemic the mode for collecting data for the Crime Survey for England and Wales changed to telephone rather than face-to-face interviews. The data for the year ending June 2022 formed the first set of data that was directly comparable with data from before the pandemic. There are no directly comparable data for the year ending March 2021.
- 2 The year ending June 2022 refers to nine months of data collected between October 2021 and June 2022. Data collected during this period include experience of crime in the 12 months before the interview date.
- 3 Crime survey estimates for the year ending June 2022 are not National Statistics. Caution should be taken when using these data because of the impact of the reduced data collection period and lower response rates on the quality of the estimates.
- 4 The 19% increase in the number of incidents of consumer and retail fraud between March 2017 and June 2022 is not statistically significant.

Source: National Audit Office analysis of data from Crime in England and Wales: year ending June 2022, which is available at: www.ons.gov.uk/peoplepopulationandcommunity/crimeandjustice/bulletins/crimeinenglandandwales/yearendingjune2022

1.9 The Department's understanding of fraud is affected by the extent to which crimes are reported. The percentage of those who experienced fraud offences and reported them to the police fell from 18% in the year ending March 2017 to 14% in the year ending March 2020 (the latest year for which data are available).⁸ However, the number of police-recorded fraud offences has increased in absolute terms since 2017, from 631,000 in the year ending June 2017 to 987,000 in the year ending June 2022 (**Figure 5**).⁹ The Crime Survey of England and Wales 2019 found that victims may not report fraud for a variety of reasons, including that they thought:

- the incident would be reported by another authority;
- it was a private matter or they could deal with it themselves;
- it was too trivial or not worth reporting;
- nothing could be done; or
- there was no loss or damage, or the attempt had been unsuccessful.¹⁰

1.10 Despite the increases in police-recorded fraud, the number of recorded fraud offences in relation to which charges and summonses are brought has fallen. In the year to March 2017, 6,402 incidents of fraud resulted in a charge or summons but this fell to 4,816 in the year to March 2022. In 2021, His Majesty's Inspectorate of Constabulary and Fire & Rescue Services noted that despite fraud making up 36% of all estimated crime in the year ending March 2020, less than 1% of police personnel were involved in conducting fraud investigations. In October 2022, the Justice Committee reported that fraud was not considered to be a priority area throughout the justice system, very few cases were passed to the police for investigation, and even fewer were prosecuted by the Crown Prosecution Service. The Committee also found that disclosure processes in fraud cases can be onerous and take up vast amounts of police and prosecution time, and that there was lack of expertise particularly among front-line police officers to identify and disrupt frauds.¹¹

8 Office for National Statistics, *Crime in England and Wales: Annual Trend and Demographic Tables*, available at: www.ons.gov.uk/peoplepopulationandcommunity/crimeandjustice/datasets/crimeinenglandandwalesannualtrendanddemographictables

9 The number of police-recorded fraud offences is not directly comparable to the number of incidents of fraud reported in the Crime Survey of England and Wales because it also includes fraud reported by industry bodies, UK Finance and Cifas.

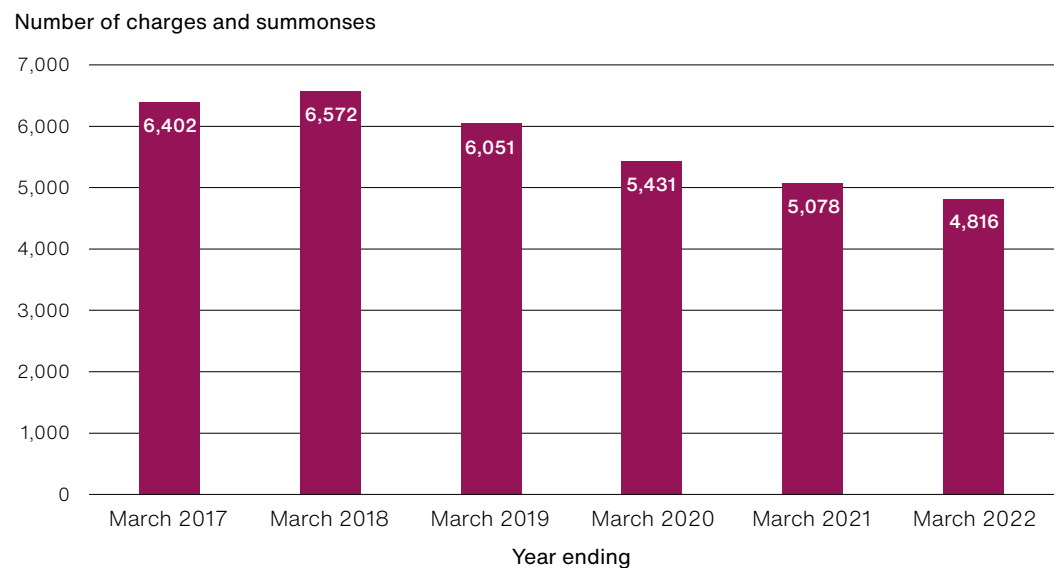
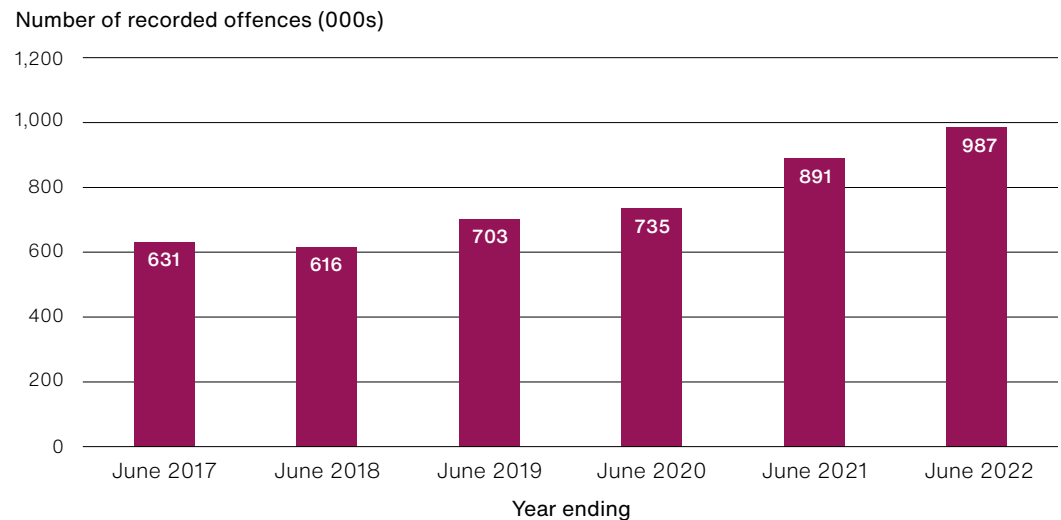
10 Office for National Statistics, *Nature of fraud and computer misuse in England and Wales*, March 2019, Appendix table 13, available at: www.ons.gov.uk/peoplepopulationandcommunity/crimeandjustice/datasets/natureoffraudandcomputer misuseinenglandandwalesappendixtables

11 House of Commons Justice Committee, *Fraud and the justice system*, Fourth Report of Session 2022-23, HC 12, October 2022.

Figure 5

Number of recorded fraud offences compared with charges and summonses for these offences in England and Wales, 2017 to 2022

Although the number of recorded fraud offences is increasing, charges and summonses are going down

**Notes**

- 1 Data on number of offences are for the year ending June, whereas data on the number of charges and summonses are for the year ending March, so caution should be taken when comparing these data sets.
- 2 Data on number of offences are from *Crime in England and Wales*. The data for the year ending June 2022 can be found at: www.ons.gov.uk/peoplepopulationandcommunity/crimeandjustice/datasets/crimeinenglandandwalesappendixtables. The data relates to the number of offences recorded by Action Fraud or the National Fraud Intelligence Bureau.
- 3 Data on charges and summonses are taken from *Crime outcomes in England and Wales*. The data for the year ending March 2022 can be found at: www.gov.uk/government/statistics/crime-outcomes-in-england-and-wales-2021-to-2022
- 4 The data on charges and summonses are experimental, which means that caution should be taken when interpreting the results.
- 5 Data shown in this figure relates to fraud against both individuals and organisations.

Source: National Audit Office analysis of published data from the *Crime Survey for England and Wales* and *Crime outcomes in England and Wales*

The cost of fraud

1.11 The Department does not have a complete or up-to-date estimate of the cost of fraud. It is currently working to update its estimate of the cost of fraud to individuals in England and Wales. Its most recent estimate of this, published in 2018 and relating to the year 2015-16 and in 2015-16 prices, was £4.7 billion, which equated to a unit cost of £1,290 per crime. However, this estimate did not include the cost of fraud to businesses and other bodies.¹² In 2013, the government estimated that the cost of fraud to individuals and businesses was £14.8 billion but this was based only on identified fraud and did not include any estimate of the cost of hidden or undetected fraud. The Department does not consider this to be a reliable estimate because it has not been updated for nearly a decade and the fraud landscape has changed significantly in this time. Other estimates have been significantly higher. For example, in 2017, the University of Portsmouth, Crowe and Experian estimated that fraud cost businesses and individuals in the UK £147 billion a year (see **Figure 6**).¹³

Figure 6

Estimates of the cost of fraud to the economy

There are varying estimates of the cost of fraud to the economy that differ significantly

| Estimate | Produced by | Year published | Cost of fraud to individuals (£bn) | Cost of fraud to private sector/ businesses (£bn) | Total (£bn) |
|--------------------------------------|---|----------------|---------------------------------------|---|----------------|
| Official government estimates | | | | | |
| Annual fraud indicator | National Fraud Authority | 2013 | 9.1 | 5.7 | 14.8 |
| Economic and social costs of crime | Home Office | 2018 | 4.7 | Not estimated | 4.7 |
| Third-party estimates | | | | | |
| Annual fraud indicator | University of Portsmouth /Crowe/Experian | 2017 | 6.8 | 140 | 146.8 |

Notes

- 1 This figure is intended to illustrate examples of the range in estimates of the cost of fraud to the economy. It is not intended to be a complete summary and we have not sought to verify the completeness or accuracy of these figures.
- 2 Data relating to the Annual Fraud Indicators from the National Fraud Authority and University of Portsmouth/Crowe/Experian cover the whole of the UK. The data relating to the Economic and social costs of crime from the Home Office cover only England and Wales.
- 3 The significant differences between the estimates are driven by methodology choices.

Source: National Audit Office analysis of: the National Fraud Authority, Annual Fraud Indicator, 2013; Home Office, The economic & social costs of crime, 2018; and the University of Portsmouth/Crowe/Experian, Annual Fraud Indicator 2017

12 Home Office, *The economic and social costs of crime*, Second edition, July 2018, available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/954485/the-economic-and-social-costs-of-crime-horr99.pdf

13 Crowe, University of Portsmouth and Experian, *Annual Fraud Indicator 2017: Identifying the cost of fraud to the UK economy*, August 2017, available at: <https://www.crowe.com/uk/croweuk/-/media/Crowe/Firms/Europe/uk/CroweUK/PDF-publications/Annual-Fraud-Indicator-report-2017>

Key government actions to tackle fraud since 2017

1.12 Since the publication of our 2017 report on *Online fraud*, the Department, together with other areas of government, has taken a number of actions to address fraud, including the following:

- In 2017, it published, alongside the Foreign & Commonwealth Office and the Department for International Development,¹⁴ the UK Anti-Corruption Strategy.¹⁵ This included some objectives relating to fraud against businesses and individuals, including improving the law enforcement response to fraud and better utilisation of industry data. However, it mostly focused on other corruption issues.
- Also in 2017, the Department announced the creation of NECC, intended to help deliver a step change in the UK's response to economic crime. NECC was tasked with improving intelligence on economic crime, coordinating the overall law enforcement response, and increasing the UK's ability to investigate high-end economic crime.
- In 2018, the Department revised the 2013 Serious Organised Crime Strategy.¹⁶ This included setting out new commitments on fraud such as expanding the existing Joint Fraud Taskforce to include a broader range of private sector partners, and establishing integrated support for victims of fraud and cyber-crime.
- In 2019, the Department agreed with its partner organisations, new actions to tackle fraud in the Economic Crime Plan 2019-22.¹⁷
- In 2021, it published its Economic Crime Plan: Statement of Progress,¹⁸ which added new actions to tackle fraud (see paragraph 2.5) and its Beating Crime Plan, which included a commitment to increase capability to tackle fraud in the context of reducing crime.¹⁹

Figure 7 on pages 22 and 23 sets out a timeline of key events relating to the government's action to tackle fraud since 2016, when the government first set up the Joint Fraud Taskforce.

14 The Foreign & Commonwealth Office and the Department for International Development merged to become the Foreign, Commonwealth & Development Office in September 2020.

15 HM Government, *United Kingdom Anti-Corruption Strategy 2017-2022*, December 2017, available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/667221/6_3323_Anti-Corruption_Strategy_WEB.pdf

16 HM Government, *Serious and Organised Crime Strategy*, November 2018, available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/752850/SOC-2018-web.pdf

17 HM Government and UK Finance, *Economic Crime Plan*, July 2019, available at: www.gov.uk/government/publications/economic-crime-plan-2019-to-2022

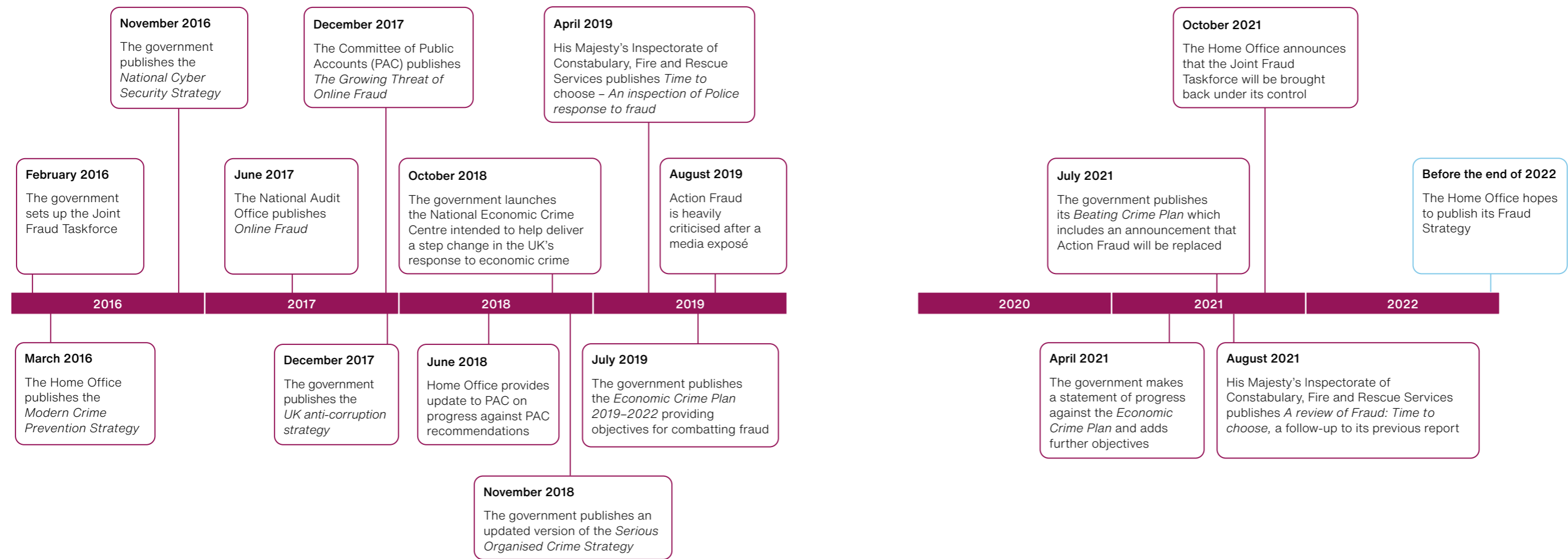
18 HM Government and UK Finance, *Economic Crime Plan: Statement of Progress*, available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/983251/Economic_Crime_Plan_Statement_of_Progress_May_2021.pdf

19 UK Government, *Beating Crime Plan*, July 2021, available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1015382/Crime-plan-v10.pdf

Figure 7

Key events relating to the government's action to tackle fraud since the establishment of the Joint Fraud Taskforce in 2016

The government has taken a number of actions to tackle fraud since 2016, including publishing several strategies and plans which relate, in part, to fraud



- Event has occurred
- Event yet to occur

Source: National Audit Office analysis of published data

Part Two

Whether the Department is working effectively with others to tackle fraud

2.1 Combatting fraud requires coordinated efforts from many organisations and groups both within and outside government. A clear articulation of the outcome the government wants to achieve is critical to motivating change and acting as a guide for keeping progress on track. In a traditional government programme, senior responsible owners would be responsible to Parliament for delivery, but lines of accountability can be less clear in relation to cross-cutting goals, such as combatting fraud. An understanding of who is accountable, and how bodies coordinate, is therefore crucial. The Home Office (the Department) is the lead for tackling fraud but is reliant on other parties to deliver its policies and so must understand what different organisations need to play their part and whether the necessary resources, capability and skills are in place.

2.2 This part of the report considers whether the Department is working effectively with others to tackle fraud. It covers whether the Department:

- has set a clear strategic direction with regard to the government's work on fraud;
- has established clear governance and accountability arrangements for the various bodies responsible for addressing fraud; and
- is working effectively through others to deliver its objectives.

Setting the government's strategic direction on fraud

2.3 When we reported in 2017, the Department's response to fraud was set out in the 2016 Modern Crime Prevention Strategy, supplemented by the Cabinet Office's 2016 National Cyber Security Strategy. Since then, the government has published several strategies that relate to fraud, covering cyber security, anti-corruption and serious and organised crime (see Figure 7). However, none of these specifically focused on fraud. In March 2022, the government set out its intention to develop a new fraud strategy. The Department has not yet published this strategy but told us it hopes to do so before the end of 2022.

2.4 Although the government's previous strategies do not specifically focus on fraud, they do contain actions relating to fraud. The most recently published set of actions relating to fraud are contained within the Economic Crime Plan 2019-22, which the government published in 2019. In the Plan, the government set out 52 actions on economic crime relating to issues including fraud, money-laundering, bribery, corruption and terrorist financing. These were assigned to multiple departments, other public sector bodies and the private sector. The Department is responsible for five actions on fraud, often working in collaboration with others. It is also responsible for some actions on economic crime overall.

2.5 In April 2021, the government published a Statement of Progress on the Economic Crime Plan.²⁰ At that point, it reported that it had delivered 20 of the 52 actions in the Plan and had plans in place to complete the remaining items. The Statement recognised the need to do more to deliver a comprehensive economic crime response, including doing more to tackle the growing threat of fraud. It added a further seven actions to the Plan, of which the first was designing and delivering a comprehensive Fraud Action Plan. The Fraud Action Plan was intended to set out a national approach to tackling fraud over the period 2022–25. The full Fraud Action Plan has not been published due to the government announcing its plans for a new fraud strategy in March 2022, building on the initial development of the Fraud Action Plan. However, the Department has started delivering some elements of the Fraud Action Plan through funded formal programmes of work. These are intended to increase law enforcement capabilities on fraud, including by upgrading the Action Fraud service.

2.6 The Department reports to the Economic Crime Delivery Board on progress against the actions in the Economic Crime Plan and the Statement of Progress. It last reported to the Board in May 2022 (see **Figure 8** on pages 26 to 28).

²⁰ HM Government and UK Finance, *Economic Crime Plan: Statement of Progress* June 2019 – February 2021, April 2021, available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/983251/Economic_Crime_Plan_Statement_of_Progress_May_2021.pdf

Figure 8

Government actions on combatting fraud as set out in the Economic Crime Plan and Statement of Progress and status as at May 2022

a) The Economic Crime Plan 2019–22: Home Office actions on combatting fraud and status as at May 2022

Of the five actions in the Economic Crime Plan 2019–2022 relating to fraud for which the Home Office is singly or jointly responsible, two are at risk or overdue

| Action as set out in the Economic Crime Plan | Lead organisation as set out in the Economic Crime Plan | Due date as set out in the Economic Crime Plan | Progress as reported to the Economic Crime Delivery Board in May 2022 |
|--|---|--|---|
| Promote information-sharing in relation to fraud. | Home Office (HO)/Cabinet Office | December 2020 | Overdue |
| Develop framework to repatriate funds to victims of fraud. | HO with support of Joint Fraud Taskforce and UK Finance | December 2021 | Overdue |
| Improve the policing response to fraud. | HO with support of City of London Police and National Economic Crime Centre | March 2020 | Complete/established ongoing activity with no due date |
| Improve support for victims of fraud. | HO | August 2020 | Complete/established ongoing activity with no due date |
| Close the vulnerabilities that criminals exploit to conduct fraud. | Joint Fraud Taskforce | December 2020 | Complete/established ongoing activity with no due date |

b) The Economic Crime Plan Statement of Progress: Government actions on combatting fraud and status as at May 2022

Across government, of the 19 sub-actions relating to the delivery of the Fraud Action Plan, 15 had been completed or had established ongoing activity, or were on track

| Action as set out in the Economic Crime Plan Statement of Progress | Lead organisation as set out in the Economic Crime Plan Statement of Progress | Due date as set out in the Economic Crime Plan Statement of Progress | Progress as reported to the Economic Crime Delivery Board in May 2022 |
|--|--|---|---|
| Develop a Fraud Action Plan for 2022–2025 that sets out our national approach to tackling fraud, placing the National Economic Crime Centre (NECC) at the heart of the response. | Home Office (HO) | Post-Spending Review 2021 | On track |
| Strengthen our oversight of industry collaboration with government by relaunching the Joint Fraud Taskforce as a Ministerial-chaired forum, focused on outcomes that protect the public. | HO, with support from Department for Digital, Culture, Media & Sport (DCMS)/HM Treasury (HMT)/Department for Business, Energy & Industrial Strategy (BEIS) | Joint Fraud Taskforce relaunched by October 2021 with Ministerial chair | Complete/established ongoing activity with no due date |
| Enhance our public-private partnership approach to fraud by developing sector charters with industry to design out fraud at source and explore how the full range of sectors who create fraud vulnerabilities could be involved in tackling this issue, including through legislation. | HO, with support from DCMS/HMT/BEIS | Charters delivered throughout 2021, overseen by the new Joint Fraud Taskforce | Complete/established ongoing activity with no due date |

Figure 8 *continued*

Government actions on combatting fraud as set out in the Economic Crime Plan and Statement of Progress and status as at May 2022

| Action as set out in the Economic Crime Plan Statement of Progress | Lead organisation as set out in the Economic Crime Plan Statement of Progress | Due date as set out in the Economic Crime Plan Statement of Progress | Progress as reported to the Economic Crime Delivery Board in May 2022 |
|--|---|--|---|
| Identify links between digital identity products and wider economic crime reform. | UK Finance | December 2021 | n/a |
| Launch a public consultation on measures to enhance how online advertising is regulated in the UK, including considering further regulation to tackle harms including fraud vectored through misleading or fake advertising. | DCMS | December 2021 | ■ |
| Building on the 2020-2021 pilot, deliver innovative approaches to reducing criminals' ability to exploit online infrastructure and communication techniques to enable or commit frauds using National Cyber Security Centre (NCSC) capabilities. | NECC/NCSC | March 2022 | ■ |
| Agree and begin delivery of the approach for the next generation fraud and cyber crime reporting and analysis service. | City of London Police (CoLP)/HO | July 2021 | ■ |
| Enhance the National Crime Agency's (NCA) data and intelligence and capabilities to respond to online threats, identify links to Organised Crime Groups and support development of the 2022-2025 Fraud Action Plan. | NCA/NECC | March 2022 | ■ |
| Improve the coordinated response to and dissemination of Serious Fraud Office's (SFO) reporting and analysis in key threat areas through the SFO's newly developed SFO Control Strategy. | SFO | Review control strategy by February 2022 | ■ |
| Scope a pilot for a national cyber crime force focused on fraud that will deliver more fraud investigations and disruptions, and a more coordinated response to fraud across law enforcement. | NCA/NECC | March 2022 | ■ |
| Pilot dedicated fraud investigation teams in four Regional Organised Crime Units throughout England and Wales. | CoLP with National Police Chiefs' Council | March 2022 | ■ |
| Review whether additional legislation or changes to sentencing are required to address the increasing scale and nature of fraud. | HO/Ministry of Justice | September 2021 | ■ |

■ Complete/established ongoing activity with no due date ■ On track ■ Risk of delay/delivery complexity ■ Overdue

Figure 8 *continued*

Government actions on combatting fraud as set out in the Economic Crime Plan and Statement of Progress and status as at May 2022

| Action as set out in the Economic Crime Plan Statement of Progress | Lead organisation as set out in the Economic Crime Plan Statement of Progress | Due date as set out in the Economic Crime Plan Statement of Progress | Progress as reported to the Economic Crime Delivery Board in May 2022 |
|--|---|--|---|
| CoLP to work with Police and Crime Commissioners and police forces to develop their capability to respond to fraud within existing capacity. | CoLP | Summer 2021 | ■ |
| Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) to publish an update on progress against 2019 report "Fraud: Time to Choose". | HMICFRS | March 2022 | ■ |
| Develop proposals with UK Finance on how tackling money mules could be used as a route to disrupt fraud profits. | HO/UK Finance/NECC | December 2021 | ■ |
| Implement an improved prioritisation process for the most serious and organised frauds. | NECC with CoLP and SFO support | March 2022 | ■ |
| Create a new public engagement hub in the NECC to bring together the existing work to educate the public and better understand what interventions work best. | NECC | March 2022 | ■ |
| Review the national support provided to fraud victims and understand what works to support the specific needs of those acutely impacted by fraud, including establishing a national working group. | HO/National Trading Standards/BEIS/SFO | December 2021 | ■ |
| Test innovative approaches to fraud victim support throughout 2021-2022, including by expanding National Trading Standards fraud multi-agency safeguarding hubs across England and Wales. | HO/NTS/BEIS/SFO | December 2021 | ■ |

■ Complete/established ongoing activity with no due date

■ On track

■ Risk of delay/delivery complexity

■ Overdue

Notes

- Ratings are Home Office assessments as reported to the Economic Crime Delivery Board. We have not sought to verify the accuracy of these assessments.
- The actions included in part (a) of this figure are those actions within the Economic Crime Plan for which the Home Office is jointly or singly responsible relating either to fraud against individuals or businesses, or to fraud in general. It does not include actions specifically relating to public sector fraud, which is not covered by this report. The actions included in part (b) are those actions within the Economic Crime Plan Statement of Progress which relate to the design and delivery of a comprehensive Fraud Action Plan.
- Multi-agency safeguarding hubs are now known as a multi-agency approach to fraud, as per Figure 12.

Source: National Audit Office analysis of The Economic Crime Plan and Economic Crime Plan Statement of Progress and Home Office papers

2.7 One of the key sub-actions underpinning the design and delivery of the Fraud Action Plan was strengthening the oversight of industry collaboration with government by relaunching the Joint Fraud Taskforce as a ministerially chaired forum. The government set up the Taskforce in 2016 to bring together public and private sector organisations to ‘design out’ fraud and improve the protections in place for the public and businesses. The Taskforce was originally chaired by the Department but Cifas took over the chairmanship in December 2018.²¹ The Taskforce formed a major element of the government’s response to fraud when we reported in 2017, although it was failing to deliver the improvements intended. Our 2017 report made several recommendations, including that the membership of the Taskforce be expanded to include other stakeholders, such as the digital and retail sectors. The Department has now acknowledged that the Taskforce did not have the engagement or membership required to lead change. In the Economic Crime Plan Statement of Progress it committed to relaunching the Taskforce as a ministerially chaired forum, focused on outcomes that protect the public. The first meeting of the newly launched Taskforce, chaired by the then Security Minister at the Department, was held on 21 October 2021.

2.8 While it is positive that the government recognises that more needs to be done to tackle the threat of fraud, to date the Department has not taken a whole-system approach to tackling it (see Figure 1). It has not yet established an integrated, system-level plan that maps the contributions of each partner against agreed aims and that highlights dependencies and constraints. While the Economic Crime Plan records responsibilities and activities related to fraud, it does so in an unconnected way. During our fieldwork, some stakeholders noted the lack of a strategic overview in relation to fraud. For example, BT told us that there was a sense of strategy, but it was not clear which parts of government had ownership or how they fitted together, while The Royal United Services Institute said that fraud was everyone’s problem but no one’s priority. The Financial Conduct Authority recognised improvements in the government’s approach to setting the strategic direction on fraud but noted that it was a work in progress and that more could be done. Stakeholders, including the Cabinet Office and the National Crime Agency (NCA), noted the lack of prioritisation of fraud relative to other crimes. Overall, it is unclear the extent to which all partners are committed to and incentivised to prioritise overarching objectives on fraud.

21 Cifas is an independent, not-for-profit organisation working to reduce fraud and related financial crime in the UK.

2.9 The Department has also not set measurable outcome-based objectives in relation to fraud. For example, it has not set objectives for the effect it wants to have on the scale of fraud, or on mitigating the consequences of fraud for victims and society. Its objectives on fraud under the Economic Crime Plan and the Statement of Progress are expressed either as activities (for example, to relaunch the Joint Fraud Taskforce) or as aspirations to improve aspects of government's response (for example, to "improve the police response to fraud"). Nor did the Plan set priorities for action on fraud, relative to action on other forms of economic crime. His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) found in its 2021 review that fraud continues to be treated as a low-priority crime in law enforcement.

Accountability and governance arrangements

2.10 When we last reported in 2017, we recommended that the Department should identify and implement suitable accountability arrangements, including within the Joint Fraud Taskforce, so that the responsibilities of all partners for preventing and reducing online fraud are clear. HMICFRS also recommended in 2019 that a national fraud policing strategy should provide clarity on the roles and responsibilities of police forces and regional organised crime units, as well as bodies such as the City of London Police (CoLP) and NCA.

2.11 Since our report, some progress has been made on clarifying accountability arrangements. For example, HMICFRS found in its 2021 review of the National Fraud Policing Strategy 2019–2022 that the strategy "clarifies the roles and responsibilities of different bodies and is well-regarded by law enforcement". The Department has also recently mapped the roles and responsibilities across government, law enforcement and the private sector. The government also allocated owner(s) and delivery dates for each objective under the Economic Crime Plan. However, some stakeholders told us that they would like more clarity on their specific roles and responsibilities in relation to fraud.

2.12 Our experience shows that effective governance arrangements ensure that issues are visible to those who need to know about them and that timely decisions are taken by those best placed to make them. For a complex challenge like fraud, which needs to coordinate multiple public and private bodies in the response, clear governance arrangements and communication channels are particularly important.

2.13 Historically, the government has not had a single, overall governance structure for its fraud work. Governance for the overall response to fraud involves multiple boards, some of which have changed their titles, roles and relationships over time. In 2021, the Department began an exercise to simplify and restructure governance to streamline activity and effectively scrutinise delivery, and to take into account the need to implement effective governance to support the delivery of the new fraud strategy. Following this, the Department implemented a new structure from April 2022 which it considers is more streamlined and gives greater clarity over remits and responsibilities (see **Figure 9** overleaf). It uses a similar model of multiple boards in relation to other cross-cutting issues for which it is the lead department – for example, in relation to its work to tackle illegal drugs.

Working through others

2.14 The Department works with a range of partners to tackle fraud, including other government departments, law enforcement, private sector and industry, international partners, and, to some extent, the general public (see Figure 3). The government has allocated responsibilities between partners in the Economic Crime Plan. However, the Plan does not outline the resources devoted to the problem, or consider the capacity or capability of partners to deliver against the actions for which they are responsible. While the Department monitors how its partner organisations use the funding it provides to them directly, it does not know how much its partners spend or how much resource they dedicate to tackling fraud overall. As a result, it is not able to judge whether its partners have the resources that they require to address the issue.

2.15 On an individual level, the maturity of the Department’s relationship with its partners, and the level of influence and oversight it has over their activities, varies (paragraphs 2.16 to 2.22).

Other government departments

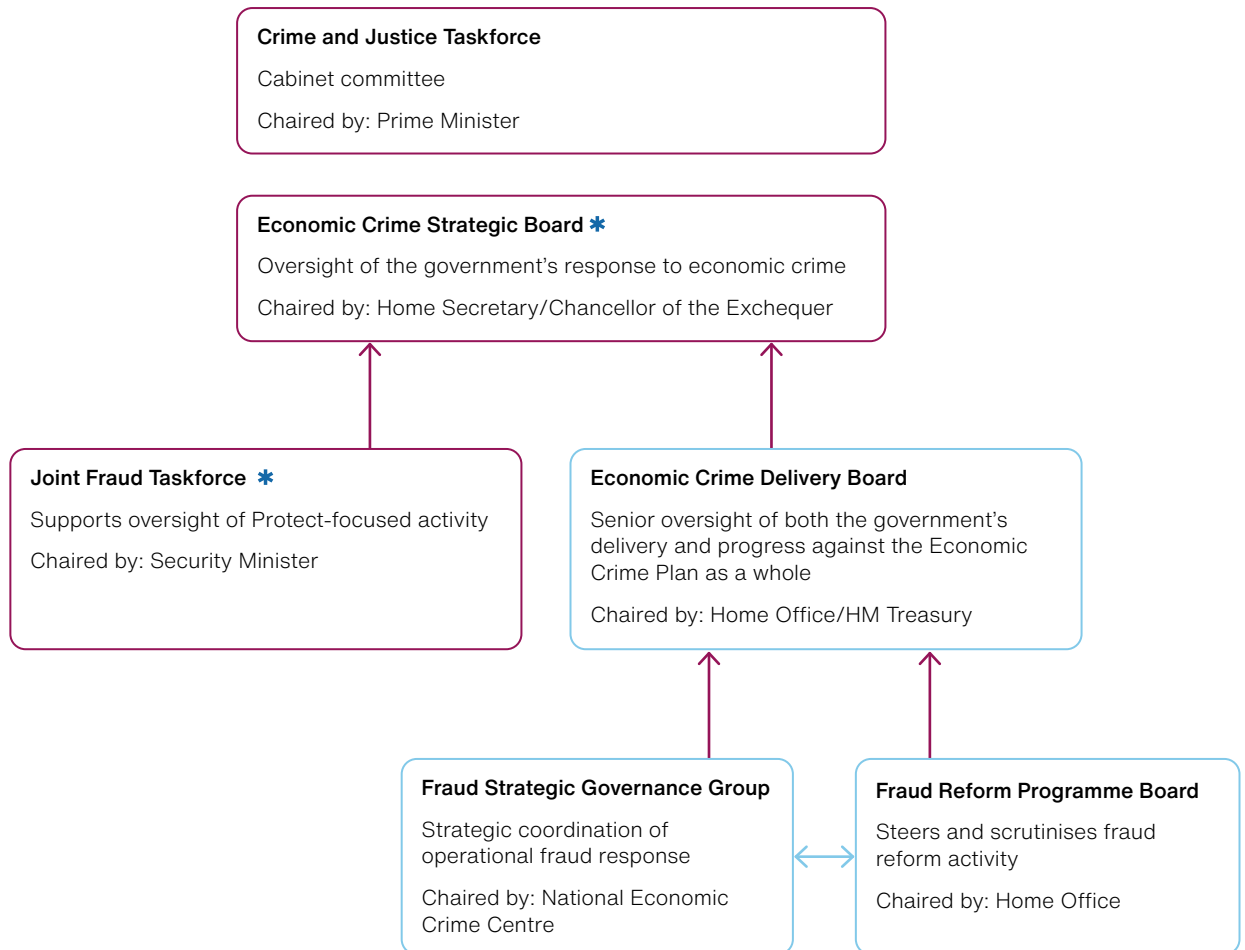
2.16 The Department works with a range of other departments across government in its efforts to tackle fraud. The Economic Crime Plan and the Statement of Progress contain joint actions with several other government departments (see Figures 8a and 8b). Progress against these actions is reported to the Economic Crime Delivery Board. The Department also contributed to the Department for Digital, Culture, Media & Sport’s development of the Online Safety Bill.²² The draft Bill includes legislation that imposes duties on regulated providers of certain user-to-user services (such as social media providers) and internet search services, in an attempt to prevent users from encountering fraudulent advertising. The draft bill had its first reading in the House of Commons on 17 March 2022 but as at October 2022, it had not progressed past the Report stage. The Department does not know what other government departments spend on efforts to tackle fraud, or the resources that are dedicated to this elsewhere in government.

²² *Online Safety Bill, 2022*, House of Commons, Bill 121. Further information including the full draft bill available at: <https://bills.parliament.uk/bills/3137>

Figure 9

The boards overseeing the government’s response to fraud

The Home Office has implemented a new governance structure overseeing the government’s response to fraud



- Secretary of State/Minister–chaired
- Official-chaired
- * Includes private sector
- Accountable to
- Provides information to

Notes

- 1 Protect-focused programme activity relates to the government’s work to strengthen the protection of individuals, communities, systems and infrastructure against fraud. Pursue-related activity relates to the government’s work to reduce the fraud threat through the investigation of individuals and groups engaged in fraud activity and the disruption of their activities.
- 2 These boards are supported by lower-level boards and steering groups which are not shown on this diagram.

Source: National Audit Office analysis of Home Office and publicly available data

Law enforcement

2.17 The Department works closely with CoLP and the NCA, including the National Economic Crime Centre (NECC), as its key partners for tackling fraud. It manages its relationship with CoLP through five grant agreements, totalling £28.6 million in 2021-22. This includes a £12.4 million grant for the Action Fraud reporting service and work to deliver its replacement. The Department monitors delivery against these agreements through the Fraud Reform Programme Board (previously through the Fraud Policing Oversight Board). It similarly manages its relationship with the NCA through a memorandum of understanding, covering £4.65 million of funding for work on fraud. The NCA is represented on a large number of the boards and working groups focused on fraud, and the Department and the NCA co-chair some of these boards. The Department does not know what law enforcement partners spend on efforts to tackle fraud or what resource is dedicated to fraud outside these agreements.

2.18 When HMICFRS reported on the policing response to fraud in 2019, it found that some elements of the government's approach to managing law enforcement were hindering the policing response to fraud. In particular, it found that, in the absence of a national fraud strategy, there was no consistent or effective joint working and information-sharing across bodies, and that the extent of the police's responsibility to protect the public from fraud was unclear. It also found that the annual nature of policing grants was inhibiting long-term planning and investment, and causing problems for recruitment and retention of staff.

Private sector and industry

2.19 The Department has established relationships with a range of partners across the private sector and industry. These relationships are at varying levels of maturity. The Department has long-standing relationships with the banking and telecommunications sectors, while its relationship with the technology sector is less mature. It is in the process of developing voluntary charters in collaboration with partners from a range of sectors and it published the first tranche of these in October 2021.²³ These cover the retail banking, accountancy and telecommunications sectors, and set out the actions that partners have committed to take to reduce the risk of fraud in their sector. The Department is currently working to produce a charter with the technology sector. Although it is reliant on the private sector to deliver much of the change needed to tackle fraud, the Department does not know how much is spent or the resource that is dedicated to fraud by private sector and industry partners.

23 Published sector charters, available at: www.gov.uk/government/collections/joint-fraud-taskforce#fraud-sector-charters

2.20 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 has received criticism from stakeholders for using voluntary rather than mandatory measures for the private sector. In November 2021, the Payment Systems Regulator launched a consultation on proposals to reduce Authorised Push Payment (APP) scams – whereby someone is tricked into transferring money to a fraudster through a bank transfer – through measures including requiring banks to publish performance data and mandatory reimbursement in cases where victims have done nothing wrong.²⁴ In September 2022, the Payment Systems Regulator published a consultation on its proposals for mandatory reimbursement for victims of APP fraud.²⁵

International partners

2.21 The Department is in the early stages of building relationships with international partners. It told us that, due to the scale of the threat and the historic lack of funding, it has focused on the domestic threat. This means that the Department has limited understanding of the international response on fraud, or how the United Kingdom's (UK's) response compares with other countries. NECC told us that a significant proportion of fraud committed against the UK is suspected to have an overseas element, but it does not have a reliable estimate of this. Over the past year, the Department has begun work to establish an evidence base to understand the international threat and it has started working more closely with international partners. It is looking to develop clear international comparators to see how the UK's response compares with that of other countries.

Public

2.22 In our 2017 report, *Online Fraud*, we noted that there were more than 10 separate fraud education and awareness campaigns being run by the Department and other bodies. Having many different campaigns about the same issue, all with slightly different messages, may result in confusing the public and reducing the effectiveness of the campaigns. Following our 2017 report, the Public Accounts Committee recommended that the Department, alongside the Joint Fraud Taskforce, should develop a more unified and informed approach.²⁶ The Committee suggested that this could be achieved by being more specific on the aims of campaigns, evaluating what works best, and targeting campaigns at specific groups when applicable. The Department, NCA, and NECC have, however, recently commissioned research on the public's perceptions of, and experiences with, fraud. NECC set up a new public engagement team in 2021, which commissioned research to develop and coordinate future public communication strategies. As at October 2022, there remained at least 10 separate, active educational campaigns being run by different parts of government.

24 CP 21/10: *Authorised push payment (APP) scams consultation paper*, available at: www.psr.org.uk/publications/consultations/cp21-10-authorized-push-payment-app-scams-consultation-paper/

25 CP22/4: *Authorised push payment (APP) scams: Requiring reimbursement*, available at: www.psr.org.uk/publications/consultations/cp22-4-app-scams-requiring-reimbursement/

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

2.23 The Economic Crime Plan includes an objective for the Department to increase support for victims. To facilitate this, more data are needed on the demographic characteristics of victims of fraud, as well as what makes individuals more vulnerable to fraud. This would enable future campaigns to be targeted to specific groups, in addition to providing a clearer picture of what support is needed. However, collecting these data is complicated by the under-reporting of incidents of fraud. There are many enduring barriers that contribute to this under-reporting (paragraph 1.9). The national reporting service, Action Fraud, has been heavily criticised and the Department is in the process of procuring a replacement service (see **Figure 10**).

Figure 10

The national reporting service (Action Fraud) and plans to replace it

The Home Office (the Department) is in the process of procuring a replacement service for Action Fraud following criticisms of its performance

The National Fraud Authority set up Action Fraud in 2009 as a centralised reporting centre for victims of fraud. In 2014, following the Department's closure of the National Fraud Authority, it transferred responsibility for Action Fraud to City of London Police (CoLP – the national lead force for fraud). In 2015, after a public procurement process, CoLP contracted IBM United Kingdom (IBM UK) to deliver both the contact centre and a data analytics and case management system (components of the National Fraud Intelligence Bureau (NFIB)).

The service had experienced difficulties and received criticism of its performance. In 2018, CoLP entered a legal dispute with IBM UK due to its concerns that the service provided had not fulfilled its expected function in line with the contract. Concerns with the service included slow data access and case backlogs, disparate reporting channels and unreliable technology. A media report in 2019 alleged that victims were misled and mocked by Action Fraud staff, and that police failed to investigate victims' reports. In the year ending March 2019, the Crime Survey of England & Wales found that only around one in seven (15%) fraud incidents had been reported to Action Fraud or the police; 14% of under-reporting was for reasons directly linked to public confidence in Action Fraud and the wider police service. A review of CoLP's role as the national lead force for fraud published in 2020 concluded that Action Fraud and NFIB had potential to serve policing well. However, their operations were significantly hampered by an operating system that was not fully functional and resourcing levels that had not kept pace with increased reporting.

In 2019, His Majesty's Inspectorate of Constabulary and Fire and Rescue Services also made several recommendations relating to Action Fraud, including: that Action Fraud should publish performance indicators, such as call waiting times and victim satisfaction levels; and that public awareness of Action Fraud should be raised. In 2021, it found that Action Fraud had begun to publish some performance indicators on its website, but these indicators were not easy to find. The performance indicators showed that the situation had not improved since the 2019 report, as call waiting times and abandonment rates were still high. However, Action Fraud had implemented a national awareness campaign, resulting in increased contact with its website.

In 2021, CoLP settled the legal dispute with IBM UK and CoLP told us it has since operated far more positively in partnership with IBM UK. Also in 2021, the Department announced that it was replacing Action Fraud with a new service. The process to procure this service is expected to conclude in early 2023. The original contract with IBM UK expired in February 2022 but has been extended to 2024 to allow time to find a new supplier, at a cost of £14.1 million above the baseline. The replacement service is intended to integrate better into the current fraud landscape, sharing data with the National Cyber Security Centre and the National Economic Crime Centre which have both been created since Action Fraud was launched. The Department also hopes to improve automation in the service, allowing more timely sharing of information. The replacement service is expected to cost £212 million over 8 years of which the Department will contribute £174 million and the Corporation of London will contribute £39 million.

Part Three

Whether the Department understands the impact of its approach to tackling fraud and is taking action to improve

3.1 Tackling fraud effectively requires the government to track progress through appropriate data, based on a clear understanding of how its activities will lead to outcomes, and to report on progress regularly and transparently. It also needs to have effective feedback loops in place to understand the impact of its interventions, learn from experience and adapt its approach.

3.2 This part of the report considers the Department's approach to monitoring its impact and learning lessons. It considers whether the Department:

- is collecting and collating sufficient data to understand the scale of the issue and the impact of its approach;
- has transparent and effective arrangements in place for monitoring and reporting on progress on tackling fraud; and
- is using data to drive decision-making and improvements.

Collection and collation of data

3.3 The Department has access to multiple sources of data on fraud, including official statistics and data from the City of London Police and the National Crime Agency. It uses these data to build its understanding of fraud, such as who the victims are, and the criminal justice outcomes achieved. Departmental analysts collate a 'Fraud factsheet' every quarter which brings together the latest published data from what the Department views as the key evidence sources. This is intended to provide a consistent and accurate set of statistics that can be used by fraud policy teams and other stakeholders. However, the sophisticated and changing methods used by fraudsters, and the fact that fraud is significantly under-reported, make it difficult for the Department to develop a clear and complete understanding of the threat from fraud.

3.4 When we last reported in 2017, we recommended that the Department, with Joint Fraud Taskforce partners, should establish arrangements for identifying, measuring and tracking the benefits of initiatives to reduce fraud, including setting baselines. However, five years on, the Department still has weak evidence on what works in tackling fraud. It is still missing some of the key data needed to measure the impact of its policies and inform its approach. The key gaps include the following:

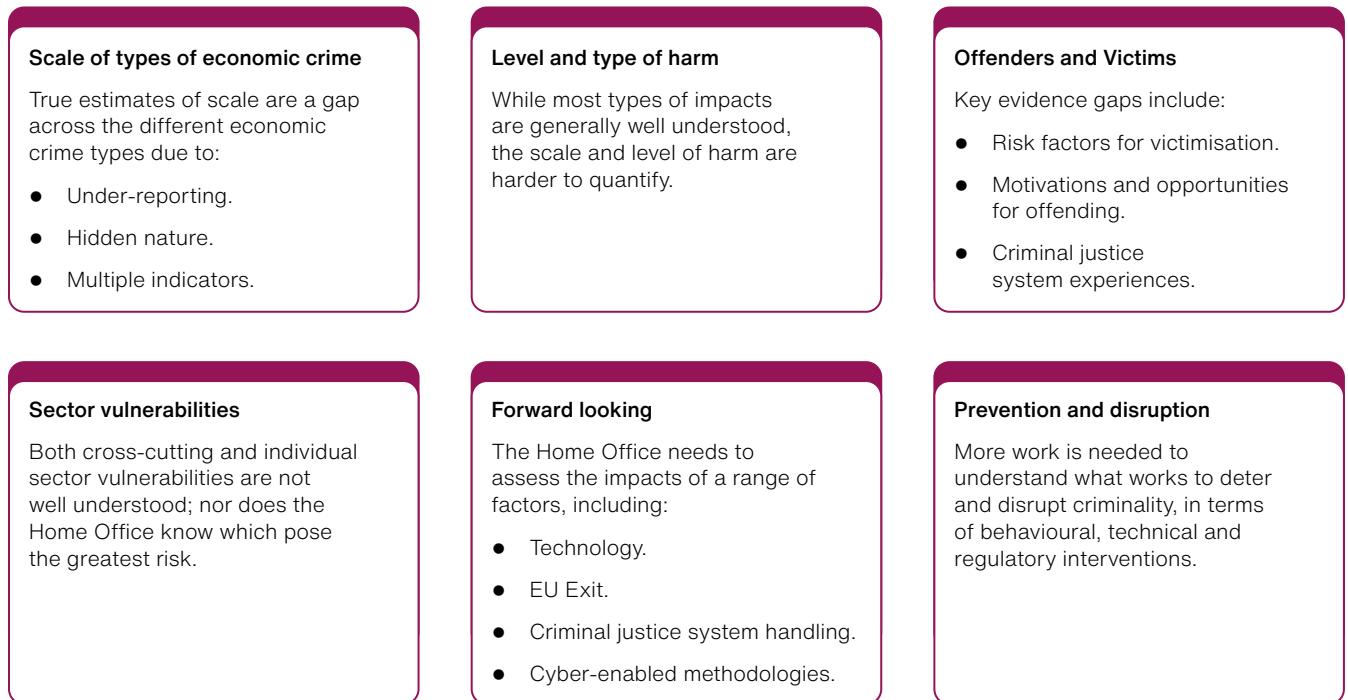
- **Costs to the economy:** The Department does not have a complete or up-to-date estimate for the cost of fraud to the economy, despite a range of estimates produced by different sources over the past decade. These range from official government estimates, which use large-scale surveys and modelling but focus on a narrower scope (producing a lower estimate), to broader estimates that look to cover a wider population using a set of more high-level assumptions (producing a higher estimate). The government stopped producing annual estimates of the cost of fraud when the National Fraud Authority was abolished in 2014. Since then, the Department has updated the estimate just once in 2018, and it only covers the cost to individuals, not businesses. The Department has endeavoured to use this estimate to assess the potential value for money of some of its new policies, including its formal programme to deliver some elements of the Fraud Action Plan. However, without a complete or up-to-date estimate of the cost of fraud, the Department has no reliable way of measuring the financial impact or value for money of its policies.
- **Perpetrators and enablers of fraud:** The Department does not know enough about who the perpetrators of fraud are to be able to target its activities to tackle them. There is limited evidence as to the motivations or opportunities for offending. The extent of the role of professional enablers is also not fully understood, including to what extent they are knowingly complicit.

3.5 The Department has identified evidence gaps as part of its 2021 Economic Crime Research Strategy (see **Figure 11** overleaf) and signalled its intent to address these, for example by working with UK Research Councils to help inform prioritisation of future funding for research. However, its approach relies heavily on external parties to conduct research voluntarily and it is not clear the extent to which the research questions will address the gaps relating to the cost of fraud to the economy.

Figure 11

The Home Office's (the Department's) mapping of the evidence gaps on economic crime

The Department has identified six categories of evidence gaps in relation to economic crime including scale, level of harm and specific sector vulnerabilities

**Note**

- 1 Economic crime refers to a broad category of activity involving money, finance or assets, the purpose of which is to unlawfully obtain a profit or advantage for the perpetrator or cause loss to others. The main categories of economic crime covered by the Economic Crime Plan are fraud; terrorist financing; sanctions contravention; market abuse; corruption and bribery; and the laundering of the proceeds of all crime.

Source: Home Office, Economic Crime Research Strategy, May 2021

Monitoring and reporting

3.6 The Department has extensive performance reporting arrangements for fraud. Our review of governance papers from nine boards and working groups identified some elements of good practice, such as performance being reported against clearly defined objectives and examples of where data were used effectively to provide an overview of the fraud landscape.²⁷ However, we also identified areas where further improvements were required. For example, the quality of reporting between each of the various boards was not consistent. In addition, some of the boards focused too heavily on actions without proper assessment of outcomes against benchmarks.

3.7 His Majesty's Inspectorate of Constabulary and Fire & Rescue Services also identified issues with developing and disseminating intelligence within law enforcement in both its 2019 report and 2021 follow-up review. In 2019, it found that there was a failure by police forces to use intelligence related to fraud effectively, and it recommended that clear guidance should be issued on how police forces record fraud data. In 2021, it reported that guidance on recording fraud data had been issued to all police forces and that the increased focus on monitoring the outcomes of fraud cases had improved monthly returns by forces. However, it found that the national fraud policing strategy could be clearer in its guidance on developing and disseminating intelligence.

Decision-making and improvement

3.8 Monitoring and reporting on data has little impact unless this information is used to drive decision-making and improvement. We identified some examples of good practice. For example, our review of papers from the Fraud Strategic Board²⁸ showed evidence of:

- stakeholders commissioning further analysis of data to identify gaps and lessons;
- mechanisms to centralise and share data that resulted in action being taken; and
- a focus on operational learning and outcomes that supported continuous improvement.

3.9 However, on a more operational level, the focus on actions rather than outcomes in much of the reporting means that the feedback loops that are needed to continuously learn from experience and adapt were often not in place. For example, we identified that, in the Joint Fraud Taskforce, relevant performance data were not consistently monitored, reported or used to drive decision-making or improvement.

²⁷ Details of our methodology for this review can be found in Appendix One.

²⁸ The Fraud Strategic Board no longer exists in its previous format. Elements of its role have been taken on by the Fraud Reform Programme Board and the Fraud Strategic Governance Group as per Figure 9.

3.10 The Department has taken actions based on its assessment of progress. For example, it told us that it brought the Joint Fraud Taskforce back under its control because it was viewed as a ‘talking shop’ by stakeholders. It has also established a Fraud Data Board tasked with creating a data landscape with accurate, sufficient and up-to-date, shared knowledge necessary to respond effectively to the threat. The Department and its partners have also expanded services to victims following successful pilots (see **Figure 12**).

Figure 12

Integrated support for victims of fraud

The Home Office (the Department) and its partners extended successful pilots to strengthen support for victims

The **National Economic Crime Victim Care Unit** (NECVCU) is a specialist team within the City of London Police, that provides support to victims of fraud to try and prevent them from becoming victims again. Individuals are signposted to the NECVCU by Action Fraud if their case is not taken forward by the police, provided that their local police force has signed up to the service. Following a successful pilot, services are being rolled out to all 43 police forces in England and Wales. As at April 2022, 37 forces were receiving the basic service (Level 1), and a further 6 forces were receiving the enhanced service (Level 2) which provides specialist services for vulnerable victims. Since its inception in 2018, NECVCU has supported over 244,000 vulnerable and non-vulnerable victims of fraud and only 78 of these have been recognised as repeat victims (0.03%).¹ The Home Office is budgeting £6.6 million over the three years to 2024-25 to fund the service at its existing level. In addition, the City of London Police is also receiving additional funding from other partner organisations to run the service.

Multi-Agency Approach to Fraud (MAAFs) are intended to better support victims locally by connecting the resources and intelligence of agencies across England and Wales. They seek to use available data from partners to identify and work with the most vulnerable victims in each local area. The agencies involved in each hub will vary by area but may include charitable organisations that support victims. National Trading Standards ran MAAF pilots in Lincolnshire and North Yorkshire, from October 2017 to September 2019. It estimates that in this period, the MAAF saved over £8 million for victims and wider society. MAAF are now being rolled out across England and Wales and National Trading Standards developed a toolkit to support the roll-out. The project to develop the toolkit was awarded £50,000 of funding from the Home Office, with National Trading Standards contributing an additional £150,000 over two years plus £250,000 to buy call blockers (technology that aims to block unwanted calls) for the MAAF.

Note

¹ The total number of repeat victims may be higher than 78 because not all victims will be referred to NECVCU.

Source: National Audit Office analysis of Home Office, City of London Police and published data

Appendix One

Our evidence base

1 Our independent conclusions on the Home Office's (the Department's) progress combatting fraud were reached following our analysis of evidence collected primarily between November 2021 and April 2022.

2 We define fraud using the definition given in the Fraud Act 2006.²⁹ 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.

3 Our evaluation framework, shown at Figure 1, is based on our collective experience in auditing complex, cross-government programmes. To formulate this, we identified relevant examples of our previous work relating to complex, cross-government issues and analysed these to identify key themes and lessons learned. We used this analysis to produce our framework of good practice principles under the four themes of taking a whole-system approach; setting direction; working through others; and monitoring, learning and improving.

Quantitative analysis

Analysis of nature and scale of fraud

Focus and purpose

4 We analysed crime statistics to understand and present trends in the incidence and reporting of fraud since we last reported on this subject in 2017. We also used crime statistics to understand and present the reasons why individuals might not report fraud, and the extent to which recorded fraud offences result in charges or summonses.

29 *Fraud Act 2006, c. 1.* Available at: www.legislation.gov.uk/ukpga/2006/35/section/1, accessed 2 November 2022.

5 The datasets that we used were the following:

- Data on incidence of fraud were taken from *Crime in England and Wales: year ending June 2022*, which is available at: www.ons.gov.uk/peoplepopulationandcommunity/crimeandjustice/bulletins/crimeinenglandandwales/yearendingjune2022
- Data on number of offences were from *Crime in England and Wales*. The data for the year ending June 2022 can be found at: www.ons.gov.uk/peoplepopulationandcommunity/crimeandjustice/datasets/crimeinenglandandwalesappendixtables
- Data on charges and summonses was taken from *Crime outcomes in England and Wales*. The data for the year ending March 2022 can be found at: www.gov.uk/government/statistics/crime-outcomes-in-england-and-wales-2021-to-2022
- Data on reasons victims may not report fraud was taken from *Nature of fraud and computer misuse in England and Wales March 2019: Appendix table 13* which is available at: www.ons.gov.uk/peoplepopulationandcommunity/crimeandjustice/datasets/natureoffraudandcomputermisuseinenglandandwalesappendixtables

Analytical approach

6 We used the data to calculate changes in the incidence and reporting of fraud, and in levels of charges and summonses, and to produce charts displaying these trends.

Qualitative analysis

Document review – background review

Focus and purpose

7 We reviewed a range of documents across both the Department and the National Crime Agency (NCA) to assist with defining the parameters of the audit, deepen study team understanding of the subject area, and collate our audit findings. This included a review of the following:

- Relevant actions and progress reporting set out in the Economic Crime Plan 2019–2022³⁰ and the Economic Crime Plan Statement of Progress 2021.³¹
- Business cases.
- Grant agreements.

30 HM Government and UK Finance, *Economic Crime Plan: 2019-2022*, July 2019, available at: www.gov.uk/government/publications/economic-crime-plan-2019-to-2022

31 HM Government and UK Finance, *Economic Crime Plan: Statement of Progress June 2019 – February 2021, April 2021*, available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/983251/Economic_Crime_Plan_Statement_of_Progress_May_2021.pdf

- Memorandums of understanding.
- Board meeting minutes.
- Performance monitoring dashboards.

8 Our review was carried out between October 2021 and April 2022. Documents reviewed predominantly focused on the period between April 2020 and April 2022. However, we also reviewed some key documents produced prior to this, such as the Economic Crime Plan.

Analytical approach

9 We reviewed each document against our overarching audit questions. The review was used to refine the scope of the study, inform follow-up information requests where needed and inform our audit findings.

Document review – monitoring and reporting of fraud data

Focus and purpose

10 We reviewed departmental documents to assess the effectiveness of the Department's monitoring and reporting of fraud data against our evaluative framework. This included a review of board minutes and papers from nine governance boards and working groups across the Department and the NCA, including the following:

- Economic Crime Delivery Board.
- Economic Crime Strategic Board.
- Fraud Data Board.
- Fraud Strategic Board – previously known as the Fraud Gold Group.
- Fraud Policing Oversight Board.
- Fraud Reform Programme Steering Group.
- Joint Fraud Taskforce.
- Online Fraud Steering Group (OFSG).
- Online Fraud Delivery Group – a working group linked to the OFSG.

11 Our review was carried out in April 2022. The timeframe of documents reviewed varied depending on the frequency of board meetings or the time the board was in operation but primarily covered the period between October 2019 and April 2022. Some of these boards and working groups do not appear in the governance diagram at Figure 9. This is because they no longer exist or no longer exist in their previous format.

Analytical approach

12 We reviewed and qualitatively assessed each document against the relevant evaluative criteria set out in our evaluative framework (see Figure 1, section 4 on Monitoring, learning and improving). We also reviewed and qualitatively assessed each document against our audit questions. This comprised 10 key audit questions relating to the coverage and robustness of data held, the level of monitoring and reporting activity, and the extent to which data were shared and used to inform the Department's approach. Evidence of strengths and weaknesses of the monitoring and reporting systems drawn from the document review were recorded.

13 Our analysis was used to:

- inform further discussion and follow-up with the Department;
- triangulate findings from other sources, including interviews; and
- inform our audit findings.

Document review – costs to the economy

Focus and purpose

14 We reviewed published documents on a range of estimates of the cost of fraud against businesses and individuals to the economy to understand how the various estimates were constructed and the key reasons for the significant variation in the available estimates. We did not attempt to validate or certify these estimates.

15 We reviewed the following estimates:

- An estimate from the Department enveloped into a wider report about the economic and social costs of crime published in 2018. This was chosen because it is the Department's most recent estimate of the cost of fraud (although it does not include the cost to businesses).
- The National Fraud Authority's Annual Fraud Indicator (2013). This was chosen because it is the most recent government estimate that includes both businesses and individuals.
- An estimate from the University of Portsmouth/Crowe LLP (professional services and risk advisory firm) published in 2017. This was chosen as an alternative published estimate for comparison because it is a well-known estimate of the cost of fraud and significantly higher than the government's estimates.

Analytical approach

16 We reviewed all three reports and compared their methodologies as a key area of focus to understand the difference between the three estimates.

17 We used the analysis to inform:

- further lines of enquiry that were followed-up with the Department; and
- our audit findings on the cost of fraud against businesses and individuals.

Interviews with departmental officials

Selection and recruitment

18 We carried out 15 interviews with officials from the Department, selected to participate because of their job roles and their relevance to the audit. This included staff responsible for (or involved in):

- policy development;
- implementation; and
- monitoring and evaluation.

19 In addition, we held:

- seven interviews with officials from the NCA, who have operational responsibility for countering serious and organised crime; and
- four interviews with officials from the City of London Police, the national lead force for fraud, and one interview with local officers working on the fraud response.

20 We also interviewed officials from the Department for Digital, Culture, Media & Sport, HM Treasury, Cabinet Office, the National Cyber Security Centre, the Serious Fraud Office, National Trading Standards and the Financial Conduct Authority all of which work with the Department in its efforts to combat fraud.

Fieldwork

21 Fieldwork took place between November 2021 and April 2022. Interviews were carried out both online and face-to-face, typically lasting one hour and detailed notes were taken.

22 Interviews focused on the following topics and were tailored to the job roles of those being interviewed:

- Strategic objectives.
- Implementation approach, including resourcing, milestones, and partnership working with key stakeholders.
- Monitoring and evaluation.

Analytical approach

23 We organised interview notes in OneNote and considered themes emerging from the data. We used the analysis to:

- inform further lines of enquiry that were followed-up with the Department;
- inform our understanding of policy design, implementation and impact;
- triangulate evidence from other sources (including our document review and evidence from wider stakeholders); and
- report on the Department's perspective on the enablers and barriers to policy implementation, and its views on the factors affecting impact.

Interviews with wider stakeholders

Selection and recruitment

24 We selected stakeholders to ensure that a broad range of perspectives on the Department's progress in combatting the fraud threat was captured. We identified stakeholders via desk research and discussions with the Department, and invited them to participate in an interview by email. In total, we carried out 12 interviews.

Fieldwork

25 Interviews took place between August 2021 and February 2022 and were carried out online, typically lasting one hour and detailed notes were taken.

26 Interviews explored stakeholders' perspectives on the Department's progress combatting fraud, with a particular focus on:

- perception of the current fraud landscape and key issues;
- strengths and weaknesses of the Department's current approach to combatting fraud;
- perceived impacts of the Department's work to combat fraud; and
- recommendations for changes to the Department's approach to combatting fraud.

27 We also asked stakeholders who work in partnership with the Department in efforts to tackle fraud, about the funding and resources they dedicate to this.

Analytical approach

28 We organised interview notes in OneNote and considered themes emerging from the data. We used the analysis to:

- inform further lines of enquiry that were followed-up with the Department; and
- report on the views of stakeholders on the Department's progress and approach in combatting fraud.

29 The findings presented in this report reflect the range and diversity of views of the stakeholders interviewed. Because the sample was small and not statistically representative, the prevalence of views and experiences arising from the stakeholder interviews is not reported.

Survey**Purpose and approach**

30 We carried out an online survey to understand the perspectives of people who have experienced fraud and the organisations that support them. The survey was open to anyone who wished to complete it and was not intended to be statistically representative. We included a link to the survey on our website alongside the work-in-progress announcement for this report. The survey was open from December 2021 to March 2022.

Response results

31 We cleaned the data to remove all respondents who had only answered the first screening question. After cleaning the data, we had 12 responses that were suitable for analysis. We analysed the responses thematically and used this analysis to:

- inform our understanding of the impact of fraud on victims; and
- triangulate evidence from other sources (including our document review and evidence from wider stakeholders).

32 However, because of the low number of responses, this analysis was not used in isolation to substantiate any of the findings in this report.

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