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BEIS Counter Fraud Capability

Purpose
1. This document provides the Government COO with a view from the Counter Fraud Function on how the current challenges with capability in BEIS could be resolved – and our view on the capability that should be in place in light of their new level of fraud risk and threat.

Advice
2. It may be tempting to see the challenges faced by BEIS on fraud as a one-off issue due to the stimulus schemes – most notably Bounce Back Loans. However, with ongoing uncertainty on the duration of the pandemic, and expectations of an extended period of recovery, it is likely that BEIS will be managing significant stimulus and heightened fraud risk for some time.

3. My advice is that we should seek to invest in a capable, experienced and sustainable fraud function in BEIS. BEIS have secured £3m in funding and are developing plans for how to invest this.

4. BEIS and the Counter Fraud Function agree that the level of capability within BEIS is insufficient in light of the new landscape that they operate in. The Centre of the Counter Fraud Function at Cabinet Office has provided several offers to BEIS to help build their capability, which have not been taken up.

5. What is provided here is initial advice from me, as the Director of the Function. I have consulted with the NCA and experts from HMRC on this as well as drawing on my experience.

6. Bearing in mind that this would be one of the most significant new counter fraud investments in government, I recommend that, if this is taken forward, a group of experts from across the Function are brought together to design this, supported by experts from other sectors. We would be able to make this happen quickly, and this has already been offered to BEIS.

View on the Capability
1 Fraud Leadership
7. BEIS should have a full time SCS1 lead on Counter Fraud with a proven track record of leading reactive (intelligence and investigation) and preventative (risk, measurement, data analytics, control enhancement and policy design) fraud functions to measurable outcomes.

8. We currently have several SCS 1 leads across government. HMRC have 10, DWP have 4, DHSC have 2, and others (including MoD) have one. BEIS's current fraud threat is now above that of DHSC, and MoD.

9. If this was agreed (it has been recommended and declined) the Centre could work with the Function to put a capable SCS1 in place quickly.

2   Fraud Policy Function

10. An area within BEIS should be reviewing the allegations of fraud and engaging with law enforcement, lenders, HMRC and other investigative functions to agree the policies for what types of cases will be pursued and in what way.

11. This area would also consider what powers are available to what organisations, and how these can be utilised to maximise outcomes.

3   Risk Assessment Team and Measurement Capacity

12. BEIS should have a team of trained and qualified risk assessors and fraud and error measurement experts to design, deliver and ensure the quality of risk assessments done on new schemes and the continual improvement of risk assessments done with ongoing schemes.

13. This resource would also design and commission testing activity to measure the occurrence of some of these risks. We only do this activity in the highest areas of fraud risk – but BEIS currently owns two of these.

14. *The delivery of the risk assessment and measurement activity could be outsourced to a third party. If it is, it should be overseen by an intelligent customer function in the BEIS Counter Fraud Function that ensures alignment to best practice and directs the work.*

4   Intelligence Capacity

15. BEIS should have an intelligence capacity that has experience of working with sensitive intelligence and triaging it to civil and criminal enforcement options. This should also have experience of closing intelligence.

16. This would be a sizeable capacity, as there are currently 13,000 Suspicious activity reports and 100s of other allegations. All the intelligence on the schemes should be routed to one place.

17. There should be an intelligence review process, a database for storing and tracking progress and decisions on intelligence and quality reviews of intelligence work and decisions made – basically an operational intelligence unit.

18. *This activity could be outsourced to a third party. If it is (as is currently the case to some fashion) there should be an intelligent customer in the BEIS Counter Fraud Function that can oversee this work, monitor and drive performance and ensure VFM from the outsourcing.*

5   Investigation Capacity

19. There should be an experienced investigation capacity, capable of undertaking criminal and civil investigations and delivering financial outcomes.

20. *This activity could be outsourced to a third party. If it is (as is currently the case to some fashion – including to the NCA and a third party) there should be an intelligent customer in the BEIS Counter Fraud Function that can oversee this work, monitor and drive delivery, ensure alignment with the Fraud Policy and VFM from the outsourcing.*

6   Compliance Capacity

21. Following the route well established in other fraud units, the investigation capability should be supported by a sizeable compliance unit undertaking lower cost, higher return activity on cases that are not taken for investigation. This capacity would also deal with the indicators from the data analytics pilots.

22. *This activity could be outsourced to a third party. If it is there should be an intelligent customer in the BEIS Counter Fraud Function that can oversee this work, monitor and drive performance, ensure alignment with the Fraud Policy and VFM from the outsourcing.*

7 Data Analytics Capacity

23. BEIS should have a team of experienced counter fraud experts and analysts that are building a rolling programme of small data pilots to explore and find fraud risks.

24. *This activity could be outsourced to a third party. If it is (as is currently the case Cabinet Office have repurposed their analytics team to provide this) there should be an intelligent customer in the BEIS Counter Fraud Function that can oversee this work, monitor and drive performance, ensure alignment with the Fraud Policy and VFM from the outsourcing.*

8 Benefits Realisation Function

25. BEIS should have a function that monitors, drives and scrutinises the recognition of benefits from the individual streams. The recording and monitoring of benefits (detected, recovered and prevented) and ensuring they meet government leading practice and are auditable is complex. For example, there will be a number of cases, and the loss level may vary over the life of an investigation.

9 Intelligent Customer Function

26. I advise that intelligent customer function(s) are undertaken by those with experience of delivering the area of work, and achieving results from it. Ideally, they should be part of the Counter Fraud Profession in that discipline (although some disciplines do not have membership routes).

How the Function could help further

27. In addition to the offer to pull together leading experts to design the BEIS Counter Fraud Function further, the Function could support the recruitment of resources into the team and shaping and assessment of outsourcing bids. In this way, we could assess the resources against the Professional standards that government has invested in creating in this area.

28. However, this would require funding from HMT or BEIS. The exception is the securing of the SCS1 lead, which we could source through our networks and which will have already been assessed against the standards, played a role in shaping them, or have extensive experience in the necessary areas for that lead.