



# Public Accounts Committee

## Oral evidence: Tackling fraud and corruption against Government, HC 1230

Monday 15 May 2023

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Members present: Dame Meg Hillier (Chair); Dan Carden; Sir Geoffrey Clifton-Brown; Mr Jonathan Djanogly; Mrs Flick Drummond; Mr Louie French; Peter Grant; Sarah Olney; Nick Smith.

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### Witnesses

I: James Bowler CB, Permanent Secretary, HM Treasury; Alex Chisholm, Chief Operating Officer, Civil Service, and Permanent Secretary, Cabinet Office; Mark Cheeseman, Interim CEO, Public Sector Fraud, Cabinet Office.

Gareth Davies, Comptroller and Auditor General, Joshua Reddaway, Director Counter Fraud and Corruption, National Audit Office, and David Fairbrother, Treasury Officer of Accounts, were in attendance.



## Report by the Comptroller and Auditor General

### Tackling fraud and corruption against government (HC 1230)

#### Examination of Witnesses

Witnesses: James Bowler, Alex Chisholm and Mark Cheeseman.

**Chair:** Welcome to the Public Accounts Committee on Monday 15 May 2023. Today we are looking at the challenge of tackling fraud and corruption against Government. Over the last two years, the level of taxpayers' funds lost through fraud has risen significantly due to the Government's response to the Covid-19 pandemic—an issue that this Committee has been looking at since the middle of 2020.

In 2022, partly to tackle this, the Government established the Public Sector Fraud Authority—the PSFA, although we will try not to use the acronym in the meeting—as a new centre of expertise for the management of fraud and corruption against the Government and the public sector.

Different Departments, as the National Audit Office Report highlights, have vastly different numbers of people dealing with fraud, and different levels of expertise. Today, we are really looking at the wider issue of the Government's capability to counter fraud and corruption risks against them, where lessons are being learned and how they are being applied across the public sector, as well as highlighting where there may be weak spots that need attention.

I am really delighted to welcome our witnesses. We have James Bowler, the Permanent Secretary at His Majesty's Treasury, and Alex Chisholm, who is the chief operating officer of the Civil Service and Permanent Secretary at the Cabinet Office. I am very pleased to welcome Mark Cheeseman in his first outing as permanent chief executive of the Public Sector Fraud Authority at the Cabinet Office—a position that was finally announced today—after having had a period as interim chief executive. Welcome and congratulations to you, Mr Cheeseman.

Q1 **Sarah Olney:** The Report sets out that, in the two years since the start of the pandemic—2020-21 and 2021-22—over £21 billion has been lost to fraud, which compares to £5.5 billion in the two years leading up to the pandemic. Mr Chisholm, how concerned are you that public confidence in the Government is going to be undermined by figures like these?

**Alex Chisholm:** I am concerned that there is a risk to public confidence there. As the NAO Report says, the overall ratings for the UK from Transparency International have gone down a bit year on year. It is incredibly important that citizens and taxpayers have confidence in public expenditure, and reports like that give rise to real concern. That is behind



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the very significant efforts taken by the Government over the last two years to invest more and to strengthen our capabilities in counter-fraud.

**Q2 Sarah Olney:** Mr Bowler, as head of the Treasury, is that a concern for you?

**James Bowler:** Yes, it is very much a concern. The opportunity cost is further money on public services. Suffice to say the Government are doing the right thing by being transparent about fraud. Some countries do not, but we are more and more transparent, which is a good thing, but we need to set out, for public confidence, what we are doing about fraud. There has been a significant step change in what we are doing post-Covid and in the advent of the digital economy to step up the Government's structures, funding and policy on fraud.

**Q3 Sarah Olney:** Is it given sufficient priority within Government, given the dramatic increase that we have seen?

**James Bowler:** It has always been given quite a bit of priority, but certainly in Covid the Government were giving out money to new payees and different people they were not normally used to dealing with. Different bits of Government were not so used to dealing in or exposed to fraud. The large quantum of just how much money was being given necessarily attracted fraud, so we need to redouble our efforts, and we have.

**Q4 Sarah Olney:** Of that £13.7 billion increase in fraud, only about £7.3 billion, so about half, has been identified as being Covid-related fraud. Is there a wider issue here?

**James Bowler:** A fair chunk, in addition to that £7.3 billion, is the easements that DWP made. DWP rightly made it much easier to claim benefits during the pandemic, and a fair chunk of the difference relates to that, so you could argue that it is Covid-related if not the Covid schemes themselves.

**Chair:** Mr Cheeseman can shed light on that.

**Mark Cheeseman:** That is absolutely right. In the table, the other rise driving it is universal credit and welfare fraud, which was impacted by the pandemic and the easements made. The rise in universal credit claims drives up the financial loss as more claims are made.

**Q5 Sarah Olney:** Mr Chisholm, is there wider impact across Government, beyond financial losses, of this increase in fraud and corruption?

**Alex Chisholm:** Yes, if it affects public trust. That is really a critical aspect. In all the things we are doing, we are trying to not only make it harder for people to commit fraud, but also to make clearer what the consequences of that are. One of the things that we are trying to do is to step up the enforcement activity across Government, and to do that in a very public way, so that people can see that there are consequences for people who have committed fraud. Another is to recover those sums,



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which can be done over time through the benefits scheme, if that is where the fraud has occurred, or through the tax scheme. Other cases require other forms of recovery.

Ultimately, there are, of course, criminal sanctions as well, and it is very important to use the full range of sanctions that we have. Under the new Procurement Bill, if passed by Parliament, we can bar people from taking part in public procurement. There is the scope to disqualify people as company directors as well, and I know that the Insolvency Service has done quite a number of those cases.

All of that is part of creating an environment in which people are deterred from committing fraud and the public have confidence in the way in which we provide that deterrence.

**Q6 Sarah Olney:** Mr Cheeseman, just to come back to what you were saying about the rise in fraud during the Covid period, was the increase in fraud during that time a one-off or do you see signs that it might be a permanent trend?

**Mark Cheeseman:** We look at the available comparators when trying to think about the level of fraud that we might be experiencing. If you look at the available comparators of wider fraud in the United Kingdom, which I know this Committee has talked to the Home Office about, the general statistics there indicate a gradual increase of fraud levels.

If you look at comparators in terms of the improper payment Act in the US, and the measurement done in the EU, they would indicate a steady increase. There may be a number of reasons for that, but, overall, I would suggest that there is a steady increase going on. Certainly, the Covid pandemic was an extreme time, and that increase was accelerated, as you see in the statistics. What we would challenge ourselves on is the underlying level steadily increasing as well.

**Q7 Sarah Olney:** When you say “underlying level”, what do you mean?

**Mark Cheeseman:** Covid led to additional loss through the new schemes and the new spend that Government made, but would the underlying level of threat to the public sector—the level of tax that you may experience and the level of irregularity in the system—be likely to be on an upward trend anyway? When we look at the three comparators that I have named, the suggestion would be that it may be, but that is the best evidence that we have to draw on.

**Q8 Sarah Olney:** Would you be comfortable with an upward trend if you thought that that was indicated?

**Mark Cheeseman:** I work in countering fraud. I want a downward trend. It is a challenging area.

**James Bowler:** It is probably worth saying a couple of things. First, fraud detection is going up, and going up quite markedly. Secondly, the



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digital economy brings huge benefits in seamless transactions. We have seen crime levels relating to fraud go from a single-figure percentage of crime to 41% at the moment. That goes into the public sector too, so that is the global driving force that means that fraud detection is rising, and is why we have to more than redouble our efforts to counter it.

**Chair:** As one of the witnesses said, this Committee published a report recently on fraud against the consumer.

Q9 **Nick Smith:** On that point from Mr Bowler, although you talk about the benefits of digital, Dr Jennifer Collins of the University of Bristol says that emerging technologies also allow for new means of committing fraud at scale across borders and with broad reach. She points out the sale of personal information to others, algorithms being used to fund matching credentials, and the importance of information capital to fraud. What about the disbenefits?

**James Bowler:** Unfortunately, I agree with that. The benefits are being able to deliver public services seamlessly, at huge benefit to the consumer. If you remember how you used to be able to get your benefits or transact, it is a lot quicker.

The disbenefits are certainly those. It is the case that it allows more access for the organised criminal, to be honest, which means that people can try to access en masse using hidden identities or phishing and all types of scenarios.

Of course, it is not a one-way street, and we can use and are using data analytics to counter that. Even in the Covid schemes, that was a feature of quite a lot of what we did to make sure both that we were sharing data and that we were trying to do it. There are downsides to the digital economy, and I am certainly not here to suggest that they do not exist.

Q10 **Sarah Olney:** Mr Cheeseman, returning briefly to the rising levels of fraud, whether underlying or Covid-related, Mr Chisholm mentioned that one of the deterrents for fraud is conviction. Are conviction rates for fraud increasing in line with the levels of fraud that we are seeing?

**Mark Cheeseman:** I would have to come back to that. It is a good challenge. I would take it slightly more widely. To deal with fraud, we need a full suite of activities. We absolutely do need to take some action and to convict some people, but we also need to get better at prevention. We need to get better at using data analytics up front and increasing compliance activity. In the fraud industry, we say that we cannot investigate our way out of fraud. It needs a broad suite of activities.

Q11 **Sarah Olney:** If we were not seeing a sufficient rate of convictions for fraud for conviction to be a suitable deterrent, would that be a concern for you?

**Mark Cheeseman:** I do not know that there is good evidence to say what the right level of prosecutions are to cause a deterrent. I certainly have not seen something, and I have engaged with academics and talked



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about that issue, so I would not be as firm as that. I would look across the fuller suite. Certainly, there should be some prosecutions, but also deterrent through better controls and better prevention, and aspects like that.

**Alex Chisholm:** We also need to look at the combination of civil and criminal sanctions. You may remember that I used to work at the Competition and Markets Authority. We always had that choice as to whether to use civil law or criminal law against cartels. Criminal law is incredibly expensive and time-consuming, and you might spend a number of years at it, but, if you then manage to get a sanction against an individual, that would be a very strong deterrent effect for corporate executives in future.

Alternatively, you can get very large fines against companies, usually more quickly and with an easier standard of evidence, which are deterrents for shareholders. It is a bit comparable here. The Serious Fraud Office, HMRC and DWP all face the same trade-off between civil and criminal. The NAO Report rightly recognises that there is that balance, and each authority needs to try to get a combination of those two things—recovery of funds, since you want to get taxpayers' money back if it has been taken illicitly, but with some degree of personal risk, because that can have a strong deterrent effect.

**Chair:** It is a conversation that we have repeatedly with HMRC on this Committee.

Q12 **Sarah Olney:** Mr Chisholm, you mentioned that the UK has fallen from eighth out of 180 countries in 2017 to 18th in 2022 for perceived level of corruption. How big a problem is corruption across Government?

**Alex Chisholm:** There is a technical definition of "corruption", which is—and I paraphrase—abuse of your office for private gain. It is right that we should look at those international ratings, in this case from Transparency International.

I should say that that is not a finding. It is about people's perception, and that probably will have been affected by some of the noisy reporting over the time of Covid about some of the expenditure. Some of those in the press would report, for example, claims made that have gone to court and, in most cases, have not been held up in court, but will certainly have created an atmosphere where people would be asking questions at the very least about that.

I would hope and expect that our rating work will recover from that blip. Mark has been a member of these international forums, going around the world talking about best counter-fraud practice, and the UK is seen as a leader in this field. Some of the things that we have done, including creating a counter-fraud profession, have set a standard that has not been repeated anywhere else.



The NAO Report rightly reports that HMRC's methodology for estimating the tax gap is world class. There are lots of areas where the UK is seen as really excellent here, and I hope that the public perceptions of that recover and continue to improve.

**Q13 Sarah Olney:** One of the conclusions of the Report is that Government do not have a good understanding of the extent of corruption. Do you not think that this failure to really understand how much corruption there is might be fuelling the perception that corruption may well be at higher levels than we think, because we do not have a good understanding of it, beyond, as you say, the noisy reporting of one or two cases?

**Alex Chisholm:** You could look at it like that, but, on the other hand, the alternative is that there is not very much evidence to find, and that has been the experience to date. Insider fraud must be present, and we know that there have sometimes been issues in almost all areas where you are interacting with money and the public. There is a risk of that, but it is small scale. In fact, when I look at the overall issues that we are dealing with, that seems to be a pretty small factor.

**Q14 Sarah Olney:** Who is responsible overall for fighting corruption within the Government?

**Alex Chisholm:** All responsibilities for dealing with fraud sit with the accounting officers of the relevant Government Department or public body. The overall fight against corruption is something that the Home Office leads. The Home Office leads the anti-corruption strategy, which is a global effort. We have just done the five-year strategy and there is a new one in preparation, which is, again, a Home Office lead.

Where we try to work between Cabinet Office and Treasury is in support of the overall counter-fraud efforts of Government to make sure that Departments and public bodies are held up to a robust standard, which is part of the work of the Public Sector Fraud Authority, that they invest the right amount of resources in that activity, that we help to report against that and share best practice, and that we provide certain central services around data, analytics and suchlike.

**Q15 Sarah Olney:** Is anyone taking responsibility for ensuring that the public can gain a more positive perception, if, as you say, there is this public perception that is damaging our reputation for corruption? Who is responsible for taking positive steps to address that perception?

**Alex Chisholm:** The insider aspect of the counter-fraud effort is something that we will continue to report on every year as part of the mandate for the Public Sector Fraud Authority. I hope that, between ourselves and the NAO, that rigorous reporting will help to restore full public confidence. I should also say that the NAO Report very rightly says that it is still a very high rating for the UK. It is just a bit lower than it was.

**Q16 Nick Smith:** Afternoon, everybody. I want to talk about progress since





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2016. Mr Chisholm, given that most of Government have made no assessment of the fraud risk that they face, how successful has the work undertaken since 2016 really been?

**Alex Chisholm:** Could I ask the Committee to look at figure 12 in the Report?

**Chair:** Great minds. It is on page 47, in part 2.

**Alex Chisholm:** First, we have not been able to look at a picture like this before, because we have not had it, so it is a big step forward that we now have it. That is 70 public bodies—all major Government Departments and about 50 additional public bodies—that have been assessed according to a common standard as to whether they fully understand the fraud risk that they have. That is a big step forward.

Secondly, the chart shows that, between the green “nothing further to do for now” and the amber “work to modernise has started”, most of those public bodies, which are 75% by number and 90% by value of funds that they manage, are either good or on the way.

The problem area that we want to focus on is that 10% by value that is in the red zone. The main priority of the Public Sector Fraud Authority over this year is to make sure that each of those bodies has a better understanding of its fraud risk, because we have found that, over the last few years, if you do not have a good understanding of and do not measure your risk, your targeted efforts may not be very effective.

Q17 **Nick Smith:** Mr Cheeseman, what has been the impact of introducing the Government counter-fraud functional and professional standards?

**Mark Cheeseman:** The first impact of the functional standard is that we have one place made transparent to the public of what the basics are that public bodies should do, and that is what is included in the functional standard. We also then know, from our testing prior to the pandemic, that use of and compliance with the functional standard was increasing. We have yet to repeat that again, but will do this year, so we will see how that is further increasing. That means that more public bodies are doing fraud risk assessments and undertaking more activity to look for fraud, and have effective counter-fraud strategies in place. That is the functional standard.

The introduction of the professional standards, speaking for myself as someone who started my fraud career as an invitation to do something in fraud and then learned it on the job, now gives a professional structure for those who want to work fighting fraud to understand what skills, knowledge and experience there are. You do not learn it by what you see as we bring in the training courses. You can learn it from the experience of others, which means that we have more capable people out in the system.

The Report rightly recognises that there is further to go, certainly on the profession, but we are building the counter-fraud part of the profession





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from not a lot of information on what the standards were, because it was learned experience. Internationally, we are the first country to have a counter-fraud profession and to have the preventive angle of it that was not codified.

**Q18 Nick Smith:** I understand that the quality of assessments improved overall until the start of the Covid-19 pandemic, but then the oversight board rated all the Covid-19 assessments as unreliable, including those for the Department for Business, Energy and Industrial Strategy's business support loans and grant schemes, and the Department of Health's personal protective equipment procurement. Why was that?

**Mark Cheeseman:** That is drawing on one aspect of the functional standard and professional standards, which is measurement. That is the fraud measurement assurance. We have a standard. We are creating training for that this year across the public sector as well. You are right to say that the quality was increasing.

As to why they did not meet the standard, first of all, we assess against the standard. We are trying to build a profession that looks at those standards. Secondly, the assessments that were done were much larger scale. If you look in the annex, you will see that a lot of the fraud measurement activities that were done outside the traditional areas were quite small scale and quite limited. On Covid pandemic spending, it was larger scale and, from that, we saw that that was more difficult to do.

Fraud measurement is not an easy thing to do. As someone who has set up a fraud measurement system, it is quite tricky to get right, and so I was not hugely surprised by that, as the complexity increased.

**James Bowler:** Not least at the behest of the Committee, we are requiring all Departments with Covid schemes to list the fraud in their annual report and accounts, which should be coming before the summer recess. Secondly, on the measurement issue, there are a lot of fraud professionals in investigation. Mark will correct me, but I think that we are doubling the number of people measuring from 99 to 180-odd, in order to try to do a better job on both those things.

**Q19 Nick Smith:** Mr Cheeseman, given the Covid expenditure and the very big amounts of money, why did those assessments not meet the standard?

**Mark Cheeseman:** There were different reasons for the different parts of it. For example, as referenced in the Report, the health assessment was not a fully random sample. It was targeted. There are benefits to doing that, because you then can find more fraud in the system. In terms of getting in there and making a difference, that is better, but, for estimating overall, it does not give you as strong an estimate.

It is important to say that, while all of those estimates did not meet the standard—and the standard is based off what Revenue and Customs and the Department for Work and Pensions do—that does not mean that they



are no good. It just means that the bar was quite high for that standard to be assessed.

**Q20 Nick Smith:** I asked a question earlier to Mr Bowler and I rather caught him out. You are probably used to those bad puns all the time, Mr Bowler. I talked to him about the disbenefits of digital technology, social media and all the rest of it. Is there anything that you wish to add to his answer?

**Mark Cheeseman:** As covered by Mr Bowler, the digital economy has provided a lot of benefits, but it has given those who wish to attack the system more ability to do so. The tools that we can use to prevent fraud could be used by fraudsters to attack us. In the counter-fraud profession, that is something that we look at. It supports what Mr Bowler said.

**James Bowler:** Is it worth talking about what you are doing on analytical tools?

**Mark Cheeseman:** We have invested in analytical tools. We run the national fraud initiative, which publishes its results every two years, and we are getting better. They are improving the amount of fraud that they are recovering and detecting. We have used data analytics elsewhere. Part of the investment in the Public Sector Fraud Authority is to use data analytics more. It is certainly a powerful tool for us in counter-fraud, and a modern counter-fraud response would use data analytics to look for fraud in the system.

**Alex Chisholm:** As a plus-one on that, we would all recognise that the digital economy is here to stay, so we are not going backwards or switching it off. It is more our responsibility to improve our tools and systems, and our use of data, to make sure that we are counteracting the negative effects and allowing the many positive benefits in terms of convenience, choice, cost to serve and all of that to dominate the disbenefits.

As well as the analytics point that we have just been hearing about, there is another way in which we are strengthening our protections. One of the risks in the digital economy is that people make off with people's identities and misrepresent who they are in order to get public money. The one login project, which we have spoken to the Committee about before and will be doing so again this time next week, has that considerable benefit in that it will improve the quality of the verification and assurance we have that people are who they say they are, which is a critical element.

**Q21 Nick Smith:** We are told that ChatGPT provides a tool to commit sophisticated and far-reaching fraud via authentic phishing—for instance, using people's particular speech style or techniques, or texting, to make them more authentic and, therefore, more successful. Have you looked into how that particular tool can be misused?



**Alex Chisholm:** I am not sure that I would exactly agree with that description. As a very powerful large language model, it gives a very good version of language, but it does not do that on a personalised basis. You have a dialogue with a general machine capability; it is not a one-to-one dialogue. It also does not have memory. Each session is a fresh session.

Q22 **Nick Smith:** You are better informed than I am about this, although it says here that it can reproduce language patterns to allow for impersonation of a particular speech style or technique. My question holds.

**Alex Chisholm:** Style and technique is right, rather than individual.

**James Bowler:** None of us will be experts on it, but the Home Office strategy on fraud announced a couple of weeks ago is probably the best answer to that. For example, in our area of financial services, you are no longer allowed to do cold calling. They are also trying to address and stop mass texting and phishing at source, which are the things that, as I understand it, would generate these things. I do not think that that is the end to that sad issue, but it shows you that we have to move as quickly as the people trying to defraud the public.

Q23 **Sarah Olney:** Just coming back to the number of assessments, only 1% of assessed expenditure was regarded as comprehensive, Mr Cheeseman, by the oversight board. In response to Mr Smith's questions, you have already talked about the steps that you are taking, but what value is the counter-fraud function adding if we are still seeing such poor levels of assessment of risk across Government?

**Mark Cheeseman:** There are a few things that I would say on that. The first is how far working as a function has brought us technically in the way we assess risk. If you go back and look at international comparators 10 years ago, the guidance for doing a fraud risk assessment was that you need to do a fraud risk assessment and then engage with that. We are now the only country in the world to have a standard for how everyone in the public sector does a fraud risk assessment. That means that they are comparable and are done to a certain quality. That is adding quite a lot of value, I would say, in terms of understanding the risk. We have a difference here between the risk and the level of occurrence. The 1% refers to the level of occurrence in the measurement exercises.

The challenge that the Government face there is that, outside of tax and welfare, which are large, similar streams of spending, spending is very diverse, as are the fraud risks. That 1% gives us quite a lot of information on what we may see, but you are quite right that we should do more to understand both the risk and the judicious use of measurement where we can.

Q24 **Sarah Olney:** Is your guidance around assessments geared towards



those activities that are more likely to claw back some of the money that has been obtained fraudulently and, therefore, generate more benefit for the taxpayer?

**Mark Cheeseman:** Fraud risk assessment looks at a scheme up front and understands how it could be attacked and what could go wrong. In terms of what we then do to get as much money back or, ideally, to prevent it going out the door, that is how we deal with prevention. Again, we are investing in the counter-fraud profession so that we have increased capability around the public sector, which can take that action and target its activity to where we are more likely to have a financial impact or to deter, as we were talking about earlier.

**Q25 Sir Geoffrey Clifton-Brown:** Welcome to the Committee this morning. Mr Chisholm, you talked about using prosecutions as a method of deterrent. Given that your Department and the Treasury are the two real Departments taking a lead against fraud, and given that the figures are so vast in this Report, ranging from £33.2 billion range to £58.8 billion, what are the Government doing in terms of both the civil prosecutions that you referred to and the criminal prosecutions that could follow the criminal prosecutions? Do you have any statistics on successful prosecutions?

**Alex Chisholm:** First of all, I probably would not say that we are in the front line of the battle against fraud. We have about 100 people in the Public Sector Fraud Authority, which is a very capable, good-quality, central unit, but that is tiny compared to the 13,000 who are out between DWP and HMRC in particular. That is the front line; they are the main people who are dealing with fraud, I am afraid, day to day from the point of view of prevention, investigation and deterrence. They themselves will make the decisions about which prosecutions to bring.

Because we feel an interest in the overall system of it, we are pressing for more enforcement, on both the civil and the criminal side, and to try to fill in the potential gaps that we see in the quality of that enforcement. Indeed, the Public Sector Fraud Authority will itself be setting up an enforcement unit later this year, which Mark can speak to, if that is helpful.

**Q26 Sir Geoffrey Clifton-Brown:** I understand all of that, and that is good news, but, given the huge increase in levels of fraud, one would expect the levels of prosecutions to go up. We cannot talk about pending prosecutions, but do you have any statistics on successful prosecutions, either criminal or civil?

**Alex Chisholm:** No, not to hand. I have seen that the number of people who have been banned from directorships has been rising quite sharply through the Insolvency Service.

**Q27 Sir Geoffrey Clifton-Brown:** Could you write to the Committee with any information that you have? It does seem to me that publicising even the odd one or two big fraud cases would act as a huge deterrent to others



contemplating it.

**Alex Chisholm:** We will happily get that data together. It is other Departments' data, but we will happily get it and share it with you.

**James Bowler:** By way of trying to be helpful, as I understand it, HMRC has 31 Covid-related criminal investigations underway on bounce-back loans, and has made 49 arrests and 455 director disqualifications. That is not the whole picture, but it gives you a flavour.

**Alex Chisholm:** We could put together more of that data and share it with the Committee afterwards.

**Chair:** As Sir Geoffrey says, we have had a longstanding view on the Committee, maybe because we are a bunch of politicians, that a few people made examples of can perhaps deter or encourage others to admit to their problems. It would be very helpful to have those figures that you just gave us, Mr Bowler, because I am not sure that we have had those before in quite that way.

Q28 **Sir Geoffrey Clifton-Brown:** It would be helpful, Mr Bowler, for you not only to give the figures to the Committee—i.e. in the public domain—but to publicise them a bit, so that, where you get a big case that is successful, it is well publicised to deter others.

**James Bowler:** In terms of transparency and deterrence, one of the lessons coming out of Covid is to celebrate success on fraud, and not only to be transparent about it but to be transparent about our success. Having the PSFA might help deliver that, so I very much agree.

**Mark Cheeseman:** Counter-fraud as a specialism is developing more of a focus on compliance, with a suite of responses, as has been talked about. You look at the value for money and return rate that you get, so you do prosecutions and publicise them to deter, but also, as I mentioned earlier, that compliance can deter, if done in the right way. As Alex said earlier, there is also the civil response. What the Public Sector Fraud Authority will be looking at is that complete suite of responses.

Q29 **Sir Geoffrey Clifton-Brown:** Mr Cheeseman, the Report makes several references to the difficulty of separating fraud from error. We had an exchange in this Committee last week in relation to local authority Covid schemes, where your colleague, Mr Chisholm and Mr Bowler, estimated that the fraud rate was a median figure of about 8%. Some of these figures in here are up to 50%. Can you tell us what your office is doing to separate fraud and error, which seem to be two different things altogether? One is intent and one is just error, as it says.

**Mark Cheeseman:** Fraud and error are very closely related when you deal with them on scale, because the difference between fraud and error is the intent of the individual when they do it. When you do a large measurement exercise, you look, by and large, at fraud and error, because you would spend more money to find out what the intent of the



individual acts were, which may not be the best use of money to make the measurement value for money.

When we detect, we do quite a lot of work to establish the intent, and encourage Departments to do the same, but, when we talk about the bigger figures, we generally look at fraud and error. There is another reason for that as well. If we have established vulnerabilities, the response that we may use would not look just at error or fraud, but at both. You would bring in countermeasures that would cover both, because, if there was an error, someone could use that route to commit fraud, so putting in fraud controls too is often quite prudent. There is a big concentric circle between the two.

**Q30 Sir Geoffrey Clifton-Brown:** Is there any intention in your office to try to do more work to separate fraud and error? They have a very different perception in the public's mind. If the public think that these vast figures of £33 billion to £58 billion are fraud, they are going to think, "What on earth is going on?" If they realise that only a proportion of that is fraud, they will get a very different picture, so it is important to try to separate them.

**Mark Cheeseman:** It is a good challenge and, as I say, when we look at the detected and the recovered, we try to do that. The judgment that we have to make, and that Departments make individually when they do measurement exercises, is the extra cost of finding out that intent, but I certainly take your point.

**Q31 Sir Geoffrey Clifton-Brown:** Mr Chisholm very helpfully redirected us to figure 12, which showed that at least 51% of Departments needed to do more. I would like to draw the attention of the Committee, and yours, to figure 3 on page 24 and to look at that very large number of Departments that have red RAG ratings. The ones that do not have red ratings are the big ones, but they have had fraud departments and investigators for much longer. Given that probably at least 51% of the fraud is outside those big Departments, there seems to be an awful lot of work to do, does there not, Mr Cheeseman, in terms of the other Departments?

**Mark Cheeseman:** What figure 3 shows are the main risk areas that the NAO has assessed by the amount of spending by individual Departments and where measurement is taking place. It shows that there is not measurement in these spaces.

In looking at understanding the level of risk in those spaces, we would look at two things. One is increasing the capability around Government to do fraud risk assessment and to do it well, with qualified people. I would certainly not be counselling measuring in all these areas, because that would be very expensive. The Report says that DWP and Revenue and Customs spent £22 million measuring, and you heard last week that it was £1.5 million for BEIS to measure the extent of a loss in the Covid





grant scheme. We would have to balance the cost of doing more measurement across the system with the extra benefit that that adds.

**Q32 Sir Geoffrey Clifton-Brown:** Surely, one of the costs in all Departments is that, before any Department introduces a new scheme, it ought to design into that scheme what the possibilities of fraud and error are. Therefore this does affect every single Department to a greater or a lesser degree.

**Mark Cheeseman:** It absolutely does, and that is why the Government, following the last Public Accounts Committee, introduced the initial fraud impact assessments, which all large new schemes now undertake and are tied into Treasury TAP panels as well. The Public Sector Fraud Authority reviews those to look at what the quality is, because that ensures that we are thinking about fraud risk up front and looking at how we can design out those elements of fraud.

**Q33 Sir Geoffrey Clifton-Brown:** We have been over this a bit already but, in terms of digitally being able to predict and prevent fraud, Mr Chisholm said that the Home Office took the lead in corruption. Certainly in terms of fraud, it is your two Departments that take the lead on this. Sophisticated data matching and other things have already been mentioned earlier in the questioning. In your professional opinion, how is that really helping you to reduce the rate of fraud? In these figures, we are not seeing that sort of reduction, but, in the future, how much will it help you?

**Mark Cheeseman:** You are seeing two different figures. You are seeing the estimate, and then there are also figures on the impact that we are able to have on the level. We know that using data analytics is having a good impact. Again, I would point to the national fraud initiative numbers, which are showing an increase in the level of prevented and recovered fraud that they lead to. We have a point between an estimate at the top and, as we may come to later, the introduction of targets across Government and outcomes for investments in counter fraud. This is why we have a focus on that as well, because the introduction of data analytics could drive increased prevention of fraud. The reported statistics show that we are reporting increased prevention of fraud, but could drive increased prevention of fraud through better use of those tools and techniques.

**Alex Chisholm:** I will just give some examples of how we are using the data combinations across Government to try to both prevent fraud and error and detect it when it has occurred. In the area of benefits, for example, the amount of benefits that you get is affected by property that you own, so there is now an automatic feed from the valuation office of property valuations coming into the DWP. Also, in terms of the number of children you have, the register of births is now available as an automatic programming interface coming into benefits there.





A more explicit area of fraud and error where there has been quite a high level has been in relation to construction. I was talking to colleagues in DWP about what they have been able to do about that. If you work on a construction site, you can say at the end of every week how many hours you have worked, and you may qualify for tax credits or in-work benefits on top of that.

Those assessments of how many hours you have worked are then compared automatically with what your employer says about how many hours of work they had for their employees that week. You get a prompt now saying, "Are you sure? That is different to the other data that we hold about you", and a number of people then correct their first recollection of how many hours they did. That is a very neat example of trying to prevent overclaims coming in, which illustrates the fine point sometimes between fraud and error, and how the overall best use of the system is to try to prevent these things happening in the first place.

**Q34 Sir Geoffrey Clifton-Brown:** That is very helpful, Mr Chisholm. Mr Cheeseman, can I just come back to this business of designing out fraud and error from schemes? We have heard particularly extensively about the Covid schemes. I understand the imperative to get the money out in many cases during the pandemic, but the converse was also true. If they had taken a little longer designing them, it might have been able to reduce the amount of fraud and error in them. What is your Department doing across Government to make sure that, before any new scheme is announced, at least the element of fraud and error is considered within that and how to reduce it?

**Mark Cheeseman:** I have talked about the initial fraud impact assessments already, which is a mandated requirement of *Managing Public Money* and in the published mandate of the Public Sector Fraud Authority, so that starts.

We then are developing and will be launching later this month a risk threat and prevention service, which will be there to help Departments with additional capability to look at the front end of the scheme. That will have to be demand led, but there will be additional capability there.

Third, coming back to capability, in terms of developing standards and training, we finalised and agreed our prevention standard—again, the first professional standard for fraud prevention in the world. We agreed that with our profession board earlier this year, and we will be developing an apprenticeship over the next couple of years, which will give people the capability to take more action, and Government the confidence that that capability is at a high level.

**Q35 Chair:** When you say the first professional standard in the world, do you mean in the public sector?

**Mark Cheeseman:** I have to be careful when I say that. We have asked a lot, "Is there a standard for professional capability in how you prevent



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fraud, and a qualification?" and the answer that we have always had is no.

Q36 **Chair:** Even in the banks and across all sectors?

**Mark Cheeseman:** We have a member of the banks on our advisory panel and they have not indicated to us that there is a standard out there that is comparable across sectors for how to do this. In the counter-fraud investigation area, there was historically a lot of standards and development. As for how you do risk assessment and how you do prevention, it is evolving so quickly that there has not been an established standard for it.

Q37 **Sir Geoffrey Clifton-Brown:** Moving on, Mr Cheeseman, to a question about detection of fraud, why do Government detect only £243 million of fraud outside the tax and welfare systems, when the Report makes clear, and you know and we know, that there are billions of pounds of fraud that they should be finding?

**Mark Cheeseman:** The first thing that I would point to is that that detected figure is rising. We published the fraud landscape report and published detected figures in Government, and those figures are generally rising. You are quite right that there is a gap there between the estimate, whether you use the lower end or the upper end, and the detected levels. We need to look into and do more to understand that gap and its nature.

Q38 **Sir Geoffrey Clifton-Brown:** I am glad that you admit that there is a gap there. You say that you are going to do more work on it. This is quite difficult as to how long it is likely to take, because you do not know where it is and how you are going to deal with it. Exactly what work is your organisation doing?

**Mark Cheeseman:** It is a wider system. The Public Sector Fraud Authority works with Departments and public bodies, but the Departments and public bodies do a lot of the detection activity and the looking, so it will be work across the system to look for that. We will continue to encourage fraud to be looked for, continue to monitor the evidence base of what the level could be, and continue to try to provide some of the tools, like data analytics and other pieces, that people can use to detect more fraud.

**James Bowler:** Like Mark, I am no expert, but it certainly is the case that welfare and tax are experts here, and the rest of the public sector can learn and follow in their footsteps. You are seeing that as we try to do that. Your stats were outside tax and welfare, and the aim is for 3,000 more people to be part of the counter-fraud profession—a profession that only the UK has—in the next three years, including outside tax and welfare. I roped myself into all of this, and we can tell the story of a journey here, where that expertise flows out of HMRC and DWP and into wider Government Departments.



**Q39 Sir Geoffrey Clifton-Brown:** Forgive me, Mr Bowler. I have been listening to the answers carefully this afternoon. While, as you quite rightly say, tax and welfare are by far the largest elements of this, the other element is still pretty large. I am not really getting the feeling, particularly with that RAG rating table that I was referring to in figure 3, that the lessons from, if I may say, the best or the biggest figures—the tax and welfare Departments from that table have the best detection systems—are being deployed outside those big major Departments.

**James Bowler:** My attempt to come in was to suggest that that is the journey we are going on. We are being unfair to quite a bit of health, MoD, MoJ and others who are very good at this, around legal aid and various procurements. The Treasury asked for the workforce and performance test to be done, and it is going to be an annual thing. That is management information for us to now use to do that. That generally tends to show that the RAG ratings are outside tax and welfare, where you would want to focus.

The extra 3,000 staff, the standards and all you are hearing about today apply particularly to those areas. In Covid, we saw some of those areas, an example of which would be BEIS, not being used to dealing with a large amount of fraud, and then, very quickly, paying out to members of the public and perhaps small businesses that they had not engaged with before. There is very much a lesson to learn from Covid in that world. Through the standards, the impact assessments and the increase in capability, that is what we are trying to do.

**Q40 Sir Geoffrey Clifton-Brown:** Can we come to one or two of those specifics, Mr Cheeseman? When the MoD's fraud team says that 4.8% of all spending on defence procurement may be wasted on fraud, is that a reasonable figure? That is still quite a big figure. We know in this Committee all about the defence procurement budget.

**Chair:** Have you assured yourself on that?

**Sir Geoffrey Clifton-Brown:** How have you assured yourself that that is the right level of figure?

**Mark Cheeseman:** We have not reviewed that, but I do know the methodology, so I can speak to it. We have not done a formal review of what testing they have done. When you do fraud measurement, you understand the risk. You then choose whether you want to spend the money or whether it is value for money to spend the money doing measurement. Random sampling is quite expensive, and we have talked about the cost of that before.

As a fraud expert, if you do not do that, you then look to comparators. The Ministry of Defence has looked to a report done externally, which indicated that procurement fraud, looking across sectors and some other estimators—and it would be fraud and error, I would point out, knowing the study—could be the number that you indicated.



However, I would caveat that the number in that report is given the lowest level of confidence, so it is a very unconfident number. My view on it would be that 0.5% to 5% is a firmer number, because it indicates some of the uncertainty, but is also based on other measurement exercises.

**Q41 Sir Geoffrey Clifton-Brown:** Just on a point of information, is that figure fraud and error, because the Report says that it is just fraud?

**Mark Cheeseman:** The methodology used in that study—and it is one of the studies referenced in the document—looks at fraud and error, because they do not test the individual pieces to get to intent.

**Q42 Sir Geoffrey Clifton-Brown:** Let us go to another specific example. Is it reasonable for the NHS Counter Fraud Authority to assume that 1% of all NHS expenditure is wasted on fraud?

**Mark Cheeseman:** Again, that is done by taking a comparator elsewhere. It sits within the 0.5% to 5%. As Mr Bowler said, the NHS has the NHS Counter Fraud Authority and a fair bit of resource looking at fraud, and it does that from a wider study. It falls within the percentage range.

**Q43 Sir Geoffrey Clifton-Brown:** How much progress do you expect your authority to make over the next three years against the nine things that Government can do to show that they are tackling fraud and corruption, as clearly set out by the NAO in its Report?

**Mark Cheeseman:** I would hope that we would make good progress against those nine points, which ask us to do a number of things in five years. First, we should establish the Public Sector Fraud Authority. The nine points talk about designing out fraud, as we have. The initial fraud impact assessment should be more embedded. We would have a counter-fraud apprenticeship, for prevention and risk, so the capability would increase. Treasury has made an investment in more data and analytics, driven through the Public Sector Fraud Authority.

One of the challenges, again, is data and how we do more on that. We would expect to see more measured outcomes from that. Those were a couple of examples, but I would expect good progress and to be able to talk about the measured financial impact that we would have and the increasing capability in the system.

**Q44 Sir Geoffrey Clifton-Brown:** This is perhaps an invidious question, sitting alongside your two bosses, but, given the returns that we get from the work that your authority does, are you sufficiently resourced and do you have a sufficient number of people?

**Mark Cheeseman:** We have the right level of resource for what we need to do at the moment. Like any counter-fraud work, should we need more resource, we will make a business case based on outcomes, and make that to Treasury and to the Cabinet Office for what we deliver.



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**Alex Chisholm:** In terms of the number of people, it was 60 and is now up to 150, which is a sizeable increase. It is also right to record that we made a case for those extra resources to the Treasury, and the Chancellor gave us the money that we asked for.

Q45 **Sir Geoffrey Clifton-Brown:** Mr Cheeseman, how would you respond to your counter-fraud staff who complain that your teams made demands of a small number of counter-fraud teams in Departments without considering the resources available? This is presumably resources in the individual Departments.

**Mark Cheeseman:** One of the challenges made in the report to the Public Sector Fraud Authority is how we flex what we do to the different sized fraud teams, and you are seeing in some of the data the different size of fraud teams around Government. We cannot achieve anything without the Departments and public bodies. We have to listen to that, and what we have to do has to be additive to enable us to find more, prevent more and recover more fraud. We would work with those Departments to make sure that what we are doing is additive and not taking them away from the job of getting on and looking at fraud.

**Chair:** To be clear, we had evidence last week about how small some of these teams are.

**Sir Geoffrey Clifton-Brown:** Yes, exactly.

Q46 **Chair:** When the new people come in, how will they be spread across Departments?

**Mark Cheeseman:** For the Public Sector Fraud Authority, 75% of the new resource will be in services. They would work with Departments, so they would still be with us. It would be dependent on both the resource in the Department but also on the risks they were facing. For instance, one of the things that we did very early on implementation was put a team into BEIS, as it was at the time, to work on the energy schemes and to help it understand the fraud risks in there, because that was a large area of public spending with a significant amount of risk.

Q47 **Sir Geoffrey Clifton-Brown:** How does this work? Is it you providing advice to them in terms of specifics, or is it that you would say to them, "You are under-resourced and you need to get more people to deal with fraud and error"?

**Mark Cheeseman:** The accounting officers individually decide the right level of capacity that they need compared to the other risks. We will be there to provide advice and challenge, and that is quite clear in the mandate for the Public Sector Fraud Authority. We are there to scrutinise as well as to provide support. We may help them make a case for investment, but, as the move to targets is showing, we would want that investment to be underpinned by making a measurable difference on the problem.

Q48 **Sir Geoffrey Clifton-Brown:** Do you find that, on the whole, your



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advice is followed? We would prefer an honest answer to that question. Is it variable across Departments?

**Mark Cheeseman:** We provide advice from a counter-fraud point of view with our lens on how to reduce fraud. That has to be balanced against a number of other risks that are being considered by the teams delivering. I find that we are listened to, and increasingly, as fraud is recognised as a profession and a thing that has experts working on it, the experts giving advice are listened to and their advice taken into consideration. One of the reasons why the Government created the counter-fraud profession is to show the expertise that can be there, and is one of the reasons why we are developing it.

**Alex Chisholm:** Just referring again to figure 12 and the 27% of public bodies where we see a potential mismatch between the size of the risk and the adequacy of the resources, that is initial, preliminary work. When we do it again next year, we should see that getting smaller, either because we have got it wrong, your risk is smaller than we thought and you have the right resources, or because we were right, the risk requires more resources and you have put more resources into it. The NAO and the PAC can reinforce the authority of the Public Sector Fraud Authority, because this is going to be an annual report about whether the resources going into counter-fraud are adequate.

Q49 **Chair:** I am going to press you a bit more on what you said, Mr Cheeseman. When we looked in the past at the digital profession, there was a real clash of cultures between people who knew their subject and then clever digital people who came in and told them how to do it digitally. The two did not always talk the same language. We had extraordinary moments in this room—slightly embarrassing, really. You are saying categorically that you are welcomed and treated professionally, and that you are listened to. As you say, they may have to take into account other risks and manage those, but there is no culture clash.

**Mark Cheeseman:** I would certainly say we are always treated professionally.

**Chair:** I would hope so. That is a start.

**Mark Cheeseman:** I would certainly say that. Historically, one thing that is explicitly drawn out in the training and standards we have developed for counter-fraud on the prevention, risk and leadership side of it is that fraud people can really see the fraud problems but they do not understand the wider business context. Bringing along that capability, so we can engage with businesses in the right way and understand their context, is something we want to do more of.

Q50 **Chair:** Can you give an example of the reality of that for the people they are trying to provide a service for? For example, when identity cards were introduced, there were about 20 possible security questions, which was





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almost impossible. Mr Bowler was a veteran of that. It was impossible to remember which one was your security questions and what the answers were.

Of course, the counter-fraud people and the security people were saying, "This is absolutely essential". Everyone is going, "I will forget the name of my first pet" or whatever it was at the time. How do you square those? Do you have an example for us?

**Mark Cheeseman:** That example is probably a good one that I would use. Those are exactly the concerns you look at on either side. I am not going to say there is not a clash of drivers because sometimes there is, and there is in other areas as well, but that is why we are investing in the capability—so that people understand those different contexts more.

**Alex Chisholm:** Just to offer a comparison between functions as well, I am conscious that the counter-fraud function is a relatively young one. Security is also relatively young, as it was only founded five years ago. Digital and commercial are more like over a decade old; HR and finance have been running for decades. Legal is in that same category.

It is right to recognise that counter-fraud does need continuing work to reinforce it as a function, a profession and a key way of doing business in Government.

**James Bowler:** This might come up later, but in terms of this mismatch and whether Departments are putting the right amount of resources into counter-fraud, other than the fact that we have spent quite a bit of money to increase their resources, we have put a challenge to Departments in order to place value for money right at the heart of this.

Alex and my colleague Cat Little have asked every major Department to target an outcome of at least 3:1 in terms of the amount of money invested and the return they get on it. As part of that, Departments are seeing that it is massively in their interest—they keep any savings—to invest in this. There is lots of stick, push or central diktat, but the culture change will come with those returns on investment.

Q51 **Chair:** I was going to come to this, but, as you raise it, I will just put that point. What is the sanction, then? Cat Little, as the head of public spending in the Treasury, says to a Department, "You have to get this value for money out of what you are spending". If they do not do it, what happens to them? Is it knocked off their budget? What is the sanction?

**James Bowler:** We are playing nicely at moment.

**Chair:** That is very honest of you.

**James Bowler:** At the moment, as part of the lessons of Covid and the rise of the digital economy, we have a set of things that we are requiring. Those are the sticks, if you like. You must meet the standards; you must





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do impact assessments; and you must do these reports in your annual report and accounts.

We are also saying, "Let us change the culture. It is very much in your interest to do this". We are asking every major Department to have an outcome target. We are suggesting they should at least have 3:1 as the return. At the moment, they are doing their returns and that is a discussion we are having. It is almost always a positive discussion. We are helping them to do that. We are not at the sanction end of the spectrum there.

Q52 **Chair:** Is this the cuddly side of the Treasury?

**James Bowler:** It is that very large cuddly part of the Treasury.

**Chair:** Yes, it is not often seen.

**James Bowler:** It comes with those requirements. The Departments are all looking at ways of making sure they deliver value for money within a constrained budget.

Q53 **Chair:** If they do this well, they will have more money to spend on taxpayers' services.

**James Bowler:** Yes, we are not saying, "Find a return and give it back to us".

**Chair:** Yes, not yet.

Q54 **Sir Geoffrey Clifton-Brown:** Mr Bowler, following on from the Chair's really important questions, do you involve Mr Cheeseman in those discussions, so you can challenge each of those Departments as to whether they are providing the right amount of resources? He will know, having had his discussions, where the weaknesses are and where they are not.

**James Bowler:** Yes, we partly manage Mr Cheeseman, so he is part of this. We are involving him in that and in the impact assessments. That is building a much richer picture, in order to make sure that Departments manage out fraud in the first place and have a continuous live programme of what they are trying to achieve there.

Of course, it is hugely in our interests too. Recently, we have spent an additional fund of £900 million on the Department for Work and Pensions, but we are expecting a return of £9 billion from that by 2028. Those are public-finance-changing levels of numbers. It is at all levels, if you like.

Q55 **Mr Djanogly:** Good afternoon. I want to ask some questions that are complementary to Sir Geoffrey's. First, I would like to look at the organisation of anti-corruption action within or across Government, but more from the point of view of a member of the public looking into this.

In 2018 the Government set up the GCFE and separately the GCFP, with



membership across the public sector. Last year, in response to Covid fraud, the Government set up the PSFA, which apparently leads the GCFF and the GCFP, and reports to the Cabinet Office and the Treasury.

Mr Cheeseman, there are a lot of acronyms there. There is a lot of cross-reporting. Presumably the PSFA was set up because the first two were not adequate to do the job. In the meantime, fraud during the Covid years has shot up to £21 billion, we think, although we are not really very sure. How is all this going to give the public confidence we are going to deal with fraud now and, indeed, in the future?

**Mark Cheeseman:** I would say it is an evolution and a journey, to use the phrase from earlier, rather than saying it is not working. Taking the three things separately, the Government Counter Fraud Function had a small functional centre, which is now part of the Public Sector Fraud Authority. The function itself brought together the 13,000 people working across Government. There was great value in that.

Speaking as someone who worked in a small Department dealing with fraud, I learned a lot more quickly when I had access to other parts of Government that were doing a lot more than I was, basically, and having different experiences. The function is a structure to do that and to set standards. The profession is about the individuals. How do we draw out those individuals, show they have a level of capability and get them recognition, as we talked about earlier?

The Public Sector Fraud Authority houses those two structures, which still exist, but it goes further. The Public Sector Fraud Authority provides more services and more support to help Departments. As we talked about, that is where the data analytics investment has gone. We will be setting up an enforcement unit later this year and launching a risk, threat and prevention service to support Departments.

There is more support. That is how that is changing. There is more action into Departments. The additional bit that is laid out in the mandate—we have talked about targets—is about oversight within Government of what individual Departments and public bodies are doing to deal with fraud, which is what our performance area does.

Q56 **Mr Djanogly:** Can I just suggest that, in terms of bringing the public into supporting all of this, you need to boil this down to something that is going to be understandable and focused?

If I could move on to Sir Geoffrey's remarks on figure 3, we have been told that 84% of anti-fraud staff work for DWP and HMRC. Sir Geoffrey took you through a few examples. Let us go back to the Ministry of Defence. This has a red dot under procurement and commercial fraud, and a red dot under internal fraud and corruption. The red dot is described in this way: "Loss measurement is non-existent, clearly unreliable or covers an insignificant proportion of spend in this risk area".

Again, just from the public's point of view, would they not be concerned



when they hear 84% of the work of counter-fraud staff is not going on in this area?

**Mark Cheeseman:** Going back to that figure, it shows where measurement activities have been undertaken. I certainly would not be advising that we should do fraud measurement across the whole of Government because it is expensive and complicated. In fact, one of the challenges from the NAO in the Report is whether we could find a way to do it cheaper. That does not mean these individual areas are not doing work on their risk.

Q57 **Mr Djanogly:** Indeed, there have been procurement prosecutions, have there not?

**Mark Cheeseman:** Yes, absolutely. There have been procurement prosecutions. We have reported detected procurement fraud in the fraud landscape report, where we report on that. We have seen detected, recovered and prevented fraud going up over the past few years.

Q58 **Mr Djanogly:** The point I am making is that there are 16 Departments of State listed in figure 3, and every single one of those Departments of State has a red dot. It looks like not enough is being done across the piece, frankly.

**Mark Cheeseman:** Again, this shows where measurement is going on. I certainly would not say that we should do measurement across the board. It would be very expensive. We will be focusing on doing more work on fraud risk assessment and understanding that and, through the targets process, more work on outcomes to drive more fraud prevention and detection.

Q59 **Mr Djanogly:** Mr Chisholm, would you agree with those counter-fraud staff who told the NAO that senior officials could be reluctant to prioritise the detection and pursuit of fraud because they are worried about the reputation of their organisation?

**Alex Chisholm:** As it appears in the NAO Report, I am sure somebody said that to the NAO. I would not question that. That has certainly not been my experience in any of the Departments I have worked in.

Certainly, everything that I do under my own control and authority is designed to encourage the reporting of fraud both because you cannot deal with it if you cannot see it and because, to your point, if there are consequences from that, it provides a good deterrent to prevent it happening again.

The Cabinet Office, for example, was one of the ones whose assessment of fraud was not as good as we would like when that was done about a year ago. That was also an internal audit finding. We thought that, because we are also the home of the Public Sector Fraud Authority, we ought to be among the best. We put in place a whole load of new



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measures; we brought some new people in with extra training; and we adopted a new strategy and a new plan.

We then got the auditors and the Cabinet Office audit and risk assurance committee to look again at it. They said, "Right, you have done all the things we expected. We are now happy with that. That is good". They have agreed to de-escalate the risk setting. They are now happy that we are within our risk appetite for fraud. I am just using that as an example. I am sure other Departments would do something similar.

If someone finds something against you, you say, "Gosh, okay, fair enough. We could be better at that". We put in place a programme and we say, "Are we better now?" In this case, they have said, "Yes, we are happy with what you are doing".

Q60 **Mr Djanogly:** We have been speaking about what is happening in terms of co-ordination across Government. That is great and very important, and you have said the same thing to the Chair.

**Alex Chisholm:** That falls specifically within the Cabinet Office.

Q61 **Mr Djanogly:** Yes, but these things come from the top and need leadership from the top. I would be interested to hear from you, Mr Chisholm, and you, Mr Bowler, about how this is coming top-down from you.

**Alex Chisholm:** Yes, I agree that there does need to be leadership from the top. That is one of the reasons why we had that process James Bowler described earlier of writing to other Permanent Secretaries. It came from me and Cat Little because we wanted this to be something that Permanent Secretaries, as accounting officers, feel direct responsibility for. We have tried to reinforce that in a number of ways.

We have spoken before in this Committee about the performance management of Permanent Secretaries. A stock-take is done three times a year. A theme in those stock-takes is, as part of your stewardship of the Department, how well you have managed counter-fraud. Where we have seen deficiencies, we have brought those up.

This is also a process we try to reinforce through Ministers, who, for example, have been meeting with departmental boards and NEDs, and through audit committees. We have used every possible channel to try to reinforce the importance of the fight against fraud as being a core responsibility of those responsible for running Departments.

That is exactly right and appropriate, given that all the evidence shows that the risk of fraud has gone up and the actuality of it has increased. We need to redouble our efforts, and it needs to be a top priority.

**James Bowler:** The Treasury has showed the importance of counter-fraud in three aspects. One is the £1 billion since Covid to tackle fraud. That is DWP, HMRC, the PSFA itself and various business aspects of that.



Secondly, we implemented the impact assessment to try to design out fraud at the start. That goes through the whole Treasury approvals process so it is very visible. Thirdly, there is this requirement on major Departments to have this 3:1 return. Those are the three areas, but I could say more.

**Q62 Mr Djanogly:** In both of your Departments, when staff have their assessments, is dealing with fraud part of those?

**James Bowler:** We have trained 700 members of Treasury staff, which is a fairly large chunk, in fraud, not least because they are delivering on this side of things, particularly the spending side of the Department. It certainly will be part of how we assess their performance, depending on what area they are in, and whether they are getting value for money, including tackling fraud and delivering public services efficiently.

**Alex Chisholm:** Yes, I would agree with that. It is relatively rare that we find a member of staff who has actually committed fraud. When that happens, of course, those people cease to be employed. That has happened in my Department.

Probably the more important activity is asking what else people are doing to try to create a system and a culture in which it is difficult for fraud to take place. One of the best things you can do there is to make sure people have a correct compliance culture, particularly around the steps required to do commercial procurement correctly, for example.

I can absolutely say that, where people have fallen short of those standards, that has affected their performance management negatively. They have been marked down and have not received any recognition at the end of the year explicitly for that reason. Sometimes that can seem harsh to people because they might have done lots of other things very well, but, because we see that as being so important, that has been a factor in those assessments.

**Q63 Chair:** There are just a couple of quick questions from me. First of all, on the taxpayer protection taskforce, Mr Cheeseman, has some of that responsibility moved over to you now that is being wound down?

**Mark Cheeseman:** No, that remains with Revenue and Customs. It has integrated its work on Covid-19 overpayments and fraud into its business as usual.

**Q64 Chair:** It is nothing at all to do with you. Okay, that is helpful to know. Are there any problems being caused, now that that has been wound up, in the day-to-day work of HMRC? We have had some discussion with HMRC on this, but, as a professional in your arena, do you think that is the right thing to do?

**Mark Cheeseman:** From my understanding, they have integrated that work into their business-as-usual tax work. From where I sit, I would see that quite positively because we want to get the best return on



investment for our work in finding, recovering and preventing fraud. They have evaluated that that is the best way to get a return on investment, which would mean better outcomes for the taxpayer.

**Q65 Chair:** Mr Bowler, you talked earlier about the three for one that Departments have to get for their investment in counter-fraud. You said you were being—perhaps I am paraphrasing—the cuddly side of the Treasury on this. I am sure the Departments feel it that way.

Is this the starting point or do you have an ultimate target for where you would like to see this? We see a good return rate on HMRC's compliance work, for example, which is higher than that. I know it is a different measure, but is that three for one a starting point?

**James Bowler:** It is. We are suggesting that it should be the floor. We are trying to encourage people into this way of thinking and then to expand. We do not say, "Everyone should hit X to one" because it will be horses for courses.

**Q66 Chair:** Mr Cheeseman, do you have any idea of a range of where that three to one could go? How much extra could the Exchequer get back from fraud, which will protect the taxpayer?

**Mark Cheeseman:** There is no science to this, certainly when you are looking individually, because the diversity of risks drives the return rate you can get. The 3:1 is a reasonable place to start, but for some Departments that will be a journey. I am sorry to use the phrase again, but they will go from a return rate of 1:1 and build up as they take on this activity.

We will look to go beyond the 3:1, but, as Mr Bowler said, that will depend on the risks those individual Departments face. We want to tailor that quite significantly.

**Q67 Chair:** How will we know that you are pushing them hard enough? The 3:1 is not bad. You could say, "That is pretty good. It is definitely getting a good return for the investment". We see some very high rates; 16:1 is the highest level that HMRC gets, certainly at the early stages. How will we know that you are pushing them as hard as you can, and that they are pushing themselves as hard as they can, to get that return rate up for the taxpayer?

**Mark Cheeseman:** That is a good challenge. We commit our time, when working on fraud, to reduce it as much as we can. There will be a drive behind us to have the biggest impact we can. When I have conversations with my colleagues to the side of me and with Ministers, they are very clear on the impact the public sector is having on the problem. I see myself as accountable for trying to drive that up to its optimal level both within the Public Sector Fraud Authority and working with Departments.

**Q68 Chair:** What you hinted at there was that, if you do enough prevention, you will have less back for every £1 spent on investigation because you





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will have less fraud to collect.

**Mark Cheeseman:** We will. One of the things the UK helped to set up was the International Public Sector Fraud Forum, which has some principles for fraud. No. 1 is that there will always be fraud. If we get to that point, I shall enjoy my retirement, but I do not personally think we will.

**Chair:** That is a very honest answer.

**Alex Chisholm:** Just to add on the 3:1, there is no magic number. As you say, Chair, you would expect much higher returns in areas like tax particularly when you are dealing with large corporations. In some of the authorities we are dealing with, the fraud takes place when people get hold of false quantifications. That is very harmful, but it might be harder to attach a financial impact assessment to that.

We want to try to change the whole culture and the way people are thinking about it. There is a long tail of public bodies that know there is fraud out there and have a team that has the activity of trying to deter it. We say, "How much fraud is there? What do you have for it?" That is really the purpose of what we are trying to do.

**Chair:** That has come through loud and clear.

**James Bowler:** It is about that way of thinking.

Q69 **Chair:** We will be going into the Covid stuff in more detail in a moment, but there is a suggestion that fraud was not taken very seriously. Everyone who has come in front of us has said, "We dropped certain checks because of the speed at which we had to get the money out", but some of the checks were almost non-existent.

The Department of Health has been hauled over the coals here quite a lot on this issue. The anti-fraud measures were just not very good, and the fraud measurement exercises that have been taken since the start of the pandemic have been too poor to use. Mr Cheeseman, can you tell us what has gone wrong there? Could that happen again, or are you now so on it that it is going to be much better? This is a chance to set out your stall.

**Mark Cheeseman:** The first thing I would say on the fraud measurement exercises is that they are not so bad they cannot be used. They do not meet the standard to have the strongest confidence level in them. They are the best evidence we have available, and they do indicate an extent of loss in them.

As to whether we would be in a different position now, yes, we would. We have initial fraud impact assessments in place, and those do happen. In three years' time we will be even further down the line because we will have more qualified and experienced people, and we will have a standard. We will have built that.





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Even now, we have more trained fraud risk assessors and we are training more. We have more investment in the centre. One of the advantages of that, as we spoke about earlier, is that we can be more agile in how that is deployed. For instance, if another crisis event happened now, would I expect that our services would be prioritised towards that? Yes, I would. There is additional capacity in the system. I feel we would be much better prepared in the future.

**Q70 Chair:** You have a relatively small number of staff. You have this oversight of the profession throughout Whitehall. Are there people you could put out of other Departments to bolster your team?

**Mark Cheeseman:** Absolutely, that is what we did with the energy schemes. It was not just the Public Sector Fraud Authority. We were pretty small then. We had some staff, but we also used staff from other Departments who we knew had capability and who we knew, through the counter-fraud profession, had a skill level that would help in that environment. That is why we refer to tiger-teaming, which is pulling together that capability.

We should not just look to the public sector. It is also about looking out into the other sectors. Again, I have talked about the International Public Sector Fraud Forum, but it is also about reaching out to our international partners to ask for their experience and expertise in how we can deal with these things.

**Q71 Dan Carden:** Can I follow up on those points around Covid fraud in particular? The figures are shocking. We have seen fraud rising from £5.5 billion before Covid to £21 billion now. Around £7 billion of that is linked to Covid contracts. The CEO of the British Business Bank, Keith Morgan, wrote to the Secretary of State to raise his concerns at the time. He said he believed that many of the schemes were vulnerable to organised crime.

Although we have heard a lot of reassurance over the last hour and a half about what happens to try to iron out the loopholes and make sure these schemes are secure, here we had someone running this scheme, raising his concerns. Mr Bowler and Mr Chisholm, why were the concerns in that letter not acted upon?

**James Bowler:** It is worth starting out from what was going on at the time and the decision, including with ministerial directions, to proceed at pace and to proceed on the basis of the forecast that unemployment would reach 12%. In the end, it was capped at 5%. The Institute of Chartered Accountants said that a third of businesses would run out of money within two weeks. Whether that was true or not, that was the background to the formulation of the policies.

As this Committee will know as well as anyone—you have heard about a number of these things—it is certainly the case that, in terms of the British Business Bank's engagement, there has been a journey to try to increase compliance. The latest on bounce back loans is that 79% are



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either paid or on schedule. Of the other loans, there are a number of measures in place to aid recovery, including £5 billion of loans that are prevented from being struck off. The issue in terms of bounce back loans and the British Business Bank is not over. We have not written those off. The situation continues.

The reason for the large increase in fraud was probably to do with the following aspects. The first was the Government engaging with a large number of new payees they had not paid before. The second was the sheer quantum of what was going out of the door. There are lessons to be learned there.

It is really interesting to see how some of those lessons have been taken on board in the energy schemes. Most obviously, the customer received a discounted bill via the energy supplier rather than cash up front. As soon as you introduce that form of delivery, that designs out from the start a large amount of the fraud.

The message on the British Business Bank side of things is that it certainly is not over. The schemes are running; they have a number of years to run. A large amount is going on. We have given a large amount of money to the British Business Bank to try to do that.

**Chair:** We have looked at this a lot. We do not need all the detail.

**James Bowler:** We are trying to learn for future—

**Chair:** We will continue to look at it as a Committee, and of course we looked at local authority grants only last week. We have a report coming out on that in due course.

Q72 **Dan Carden:** We are looking only at the last three years. Lord Agnew, the Treasury Minister who resigned not so long ago, said the Treasury had “no knowledge or interest in the consequences of fraud to our economy or society”. Are you saying there has been dramatic change since Lord Agnew’s resignation?

**James Bowler:** Yes. It was not necessarily triggered by that, but we are investing £1 billion in counter-fraud. We require impact assessments on all major Government spending. We have set up the Public Sector Fraud Authority, and we are requiring all sorts of things that I will not list. “Dramatic” would be a good word to describe the change since then.

Q73 **Peter Grant:** Mr Chisholm, earlier on you mentioned the internal audit report that had caused a bit of surprise within your Department. Thank you for saying nice things about how important internal auditors are. In return for that, I will not ask why you needed an internal report before you knew what was happening.

Where is the concrete evidence that things have changed as a result? For example, has there been a significant change in how often counter-fraud measures are on the agenda when you meet with senior officials in your



Department?

**Alex Chisholm:** I do not know whether that particular measure has been looked at, but I can certainly say that every quarter the Cabinet Office audit committee reviews the counter-fraud position.

I hope it has come over in this evidence session that the biggest effort and contribution we make to counter-fraud is across Government through the Public Sector Fraud Authority. The Cabinet Office is not a particularly high-risk Department because we do not pay out large amounts of money to the general public—in fact none at all. When we do give money to business, it tends to be on quite a selective basis rather than these big grant schemes. We are not particularly high risk.

Q74 **Peter Grant:** What is the gross revenue budget of the Cabinet Office?

**Alex Chisholm:** It is £1 billion.

Q75 **Peter Grant:** A very well-run organisation will lose about 1% of its money to fraud, so 1% of £1 billion could still mean that a lot of money is being lost in the Cabinet Office.

When these audit and risk committee reports are done, without asking you to tell tales out of school, how often do they generate any discussion among your non-execs? Is this something is just noted at item 12 of the agenda and passed on or do you get much discussion from them?

**Alex Chisholm:** In fact, the audit committee is chaired by a non-executive, and the same non-executive is an auditor by background and, indeed, has been on bank boards as well as our own. He is extremely diligent and searching in his questioning about our approach to counter-fraud.

Q76 **Peter Grant:** You also said, for example, that Ministers will meet with Departmental non-execs to discuss counter-fraud measures with them. Is that something that just gets put into the new Minister's diary before they know what is happening? Do Ministers come into the Department talking about counter-fraud among their priorities?

**Alex Chisholm:** In fact we have had a succession of Ministers who are passionate about the fight against fraud. One such was just mentioned, but that is true about Lord Agnew's successors as well.

Baroness Neville-Rolfe was holding those meetings, not because she was asked to, but because she wanted to know what she could do to give extra attention to this. That was one of the ideas we had, to meet with non-executive directors so they would ask questions in each of their Departments about their own Department's performance.

I should have said so at the beginning, but this is an excellent Report from the NAO. It is an absolute mine of information. There is a very high level of public information. Again, it is written into the mandate of the Public Sector Fraud Authority to provide all this information to the NAO.



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We think that will make it easier for boards and audit committees to apply that scrutiny and attention, if they can look at these figures in a year's time and ask, "How do we fare on our understanding of fraud risk? Are we seen as having the appropriate level of resources? Why are we not measuring outcomes properly?" That is exactly the type of conversation we want to try to foster within Departments.

**Q77 Peter Grant:** The two Ministers you mentioned there are both Members of the House of Lords. Is that just a coincidence? Is there something about being in the House of Commons that makes it more difficult for a Minister to prioritise counter-fraud measures over getting more nurses, teachers or doctors?

**Alex Chisholm:** It is a coincidence. Lord Agnew's successor was Jacob Rees-Mogg, who is a Member of this House.

**Q78 Peter Grant:** Mr Cheeseman, later on this week and next week, the Committee wants to look at, among other things, poor Mr Dylan Davies in Wales, who got 11,000 tax demands sent to his house because 11,000 fake companies had been set up claiming to be registered at that address.

We will ask HMRC about this in more detail, but, if HMRC can send out 11,000 tax demands to the one person, how do we know it cannot send out 11,000 tax rebates to one person? In those Government Departments that do not see themselves as interacting with the public, how do we know that somebody is not sending out five payslips to himself every month instead of just one?

**Mark Cheeseman:** It is a good challenge. You can use data analytics to try to identify those things. On that particular example, the reforms to Companies House will increase the confidence in businesses, who is behind them and where they are. That would reduce that risk.

**Q79 Peter Grant:** The Companies House reforms will reduce the risk of Companies House registrations being bogus from the start. If a private business were the size of most Government Departments, it would identify insider fraud as a significant risk. That is not necessarily bogus suppliers trying to defraud it, but its own employees trying to commit fraud through the payroll by setting up bogus companies to pay invoices. This is the standard stuff you have to protect against in any big organisation.

From the time you have spent in the Department, do Government Departments understand how significant those risks are and what they need to do to prevent them?

**Mark Cheeseman:** The Report shows that we certainly want to go further, to my point, in our understanding of those risks. The Government have done a lot of work on putting in standards for how you do fraud risk assessment, which does give you a better understanding. Inherently, if you are doing a higher-quality forward risk assessment, you are going to



understand your risks better. There is more we can do across the system to understand those risks because they are incredibly diverse.

**Q80 Peter Grant:** Is it good enough to have a system where the Permanent Secretary is responsible for risk assessment and risk management within their own Department? Does that not create a risk? You could have different levels of assurance built into what is essentially the same risk in different Departments.

**Alex Chisholm:** I can speak for the Cabinet Office, and then Mark can say whether it is good enough because he has to assess all Departments, including my own.

In terms of the approach we have taken, you are right that the ultimate responsibility is for the Permanent Secretary as accounting officer. They are accountable to Parliament for the use of funds. That is a well-established and good system.

The way we have set it up in the Cabinet Office, recognising that you cannot be marking your own homework, is that the chief operating officer within the Cabinet Office, who you have met before, Sarah Harrison, is the senior responsible person for counter-fraud measures and the head of finance is the person who puts those measures in place and is accountable for that. That gets assessed by the audit and risk committee, which is chaired by a non-executive.

Our overall scheme gets looked at both by internal audit and then in the annual assessment by the Public Sector Fraud Authority. There is quite a lot of externality to that so they are not just marking their own homework.

**Q81 Peter Grant:** Is it still up to the Permanent Secretary to take the decision as to whether to upgrade a system in order to make it more fraud-proof? They can get advice from internal audit, for example, but internal audit does not make the decisions.

**Alex Chisholm:** It would depend on the level of sign-off. If it is a big new financial commitment, yes, that needs the sign-off of the accounting officer.

**Q82 Nick Smith:** I would like to return to figure 6 on page 29 as a starter, which is this estimated level of fraud of £21 billion over two years. I just want to use that as a baseline for discussions.

We have heard Mr Bowler talk about the difficulties around new payees and the quantum of money out of the door. He has said that the lesson learned for the future was that using a discounted bill rather than giving out cash up front was something we should all be mindful of. Mr Cheeseman, is there anything you want to add to Mr Bowler's point?

**Mark Cheeseman:** No.

**Nick Smith:** Mr Chisholm, have you covered those off?



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**Alex Chisholm:** I think so. I am pretty conscious that the Committee has had 12 hearings with the relevant experts on all these areas of Covid expenditure.

**Chair:** Yes, indeed we have.

**Alex Chisholm:** I do not want to summarise what they have said already.

Q83 **Nick Smith:** Given that we have heard today about Mr Bowler's Treasury investment of £1 billion on counter-fraud, what is your assessment of the £21 billion that has been lost, which may now come back to us, given this £1 billion investment? Do you want to start with that, Mr Bowler?

**James Bowler:** On DWP and HMRC spending in particular, we will have particular targets and an understanding around this. This is often scored, including by the OBR at a fiscal event. "If we spend this, what do we think the return will be?" I mentioned one such thing where we are investing £900 million in DWP on general compliance, and we are expecting a return of some £9 billion on that.

**Chair:** That is over the next eight years.

**James Bowler:** It is to 2027-28.

**Chair:** It is the next five years.

**James Bowler:** We do similar things with HMRC. It is probably reasonable to say that we are not writing off any of the Covid money; we are, indeed, increasing our attempts to recover it. I would be kidding you to suggest that we will get all of that back.

Q84 **Chair:** Of course it has a longer tail because the time to repay it doubled, did it not? Some of the DCMS ones are 20-year loans.

**James Bowler:** Yes, exactly.

Q85 **Chair:** Is there somebody in the Treasury tasked with watching, with a beady eye, those long-term loan repayments?

**James Bowler:** Yes. Again, the experts who have given you evidence will be able to say better. HMRC has 20-year loans. The bounce back loan scheme is still in train. I gave the figure of 79% being paid back or on track. Yes, this is a big thing.

Not least at your behest, every Department with Covid schemes has to show in its annual report and accounts where it has got to. You will see each year where they have got to against that £21 billion.

**Chair:** This Committee has a long memory. We will remember that, those of us who are young enough to still be on the Committee in 20 years' time.

Q86 **Nick Smith:** Thanks for those remarks, Mr Bowler. Mr Cheeseman, do





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you have anything further to add to his comments, particularly in terms of the assessment of how much of the £21 billion could be returned?

**Mark Cheeseman:** No. That will be an individual assessment for the individual Department. I would agree with what Mr Bowler has said.

Q87 **Nick Smith:** You have the oversight, do you not?

**Mark Cheeseman:** We do have the oversight.

**Nick Smith:** What is the oversight analysis?

**Mark Cheeseman:** We have not analysed individually what Departments could get back on that, but, as we have committed to this Committee before, we will publish a summary of the estimated losses during Covid and the prevented and recovered levels.

Q88 **Nick Smith:** Mr Chisholm, how will you use transparency to help combat fraud in future payment schemes?

**Alex Chisholm:** First of all, annual reporting is incredibly important for those purposes. That provides transparency in terms of where you see fraud, what you see as giving rise to it, what efforts you are taking against it and what response and impacts you have had from that. That is very important.

As I said in the earlier part of the hearing, evidence to the public of people who have committed fraud facing consequences is an incredibly important part of transparency. People should feel that bad actors have not been able to get away with it. That is a really important aspect to transparency. We also need to hold ourselves to account, which why that process of having both internal and external scrutiny of our own efforts is very important.

Q89 **Nick Smith:** Mr Bowler, can you please update us on progress in implementing the Boardman recommendations in managing conflicts of interest, particularly with regard to former Ministers?

**James Bowler:** No. Without wanting to drop him in it, Mr Chisholm would be better placed to tell you the answer to that.

**Alex Chisholm:** We had three reports by Nigel Boardman, but I think you are talking to the third of those. We have an answer in two parts. Part of it was about the extent to which civil servants were declaring their conflicts of interest and whether they were being managed properly. That was particularly an issue that arose in relation to Greensill, if you remember. We have implemented that. The new advice was implemented last June. A scheme of monitoring and compliance against that has indeed been introduced.

The fuller response from Government to some of the other recommendations in that same report and, indeed, to the report from the Committee on Standards in Public Life is imminent, as I understand it.





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Q90 **Nick Smith:** Just on that, we remember hearing about Greensill around this table. Ministers ought not to lobby—let me get this right—for a two-year period. One of the suggestions was that Ministers should wait five years before they could lobby in the future. Is that likely to be part of the announcement?

**Alex Chisholm:** I could not say, I am afraid.

Q91 **Chair:** The Department of Health, in its last annual report and accounts, published a very detailed list, partly at the behest of the National Audit Office, of the interests of everybody in the Department: special advisers, Ministers, Permanent Secretaries and senior officials. We think that is a good thing. Is that something you want to see more widely?

**Alex Chisholm:** Yes, indeed. We publish that for all our board members as standard, but that process now applies to a much larger group of people.

**Chair:** It makes it much more transparent, and we were pleased to see that. That is one element of the accounts we were pleased to see; others were a bit more challenging.

Q92 **Sir Geoffrey Clifton-Brown:** Mr Bowler, you will be aware of some of the work that this Committee has done on local government. Indeed, we had a local government report last week about fraud in the Local Government Minister's schemes, where it was estimated that the total figure was £1.1 billion. Even on the latest figures, it is only likely that £35 million is going to be recovered, which still seems to be a remarkably low level.

You will also be aware of the very considerable pressure that local authorities are under in terms of their audits. The section 105 officer and other local government auditors or financial officers are well involved in counter-fraud activities as well. Therefore, ought Government to take a closer look at fraud in local government? In particular, ought Mr Cheeseman's organisation be given a wider remit to cover local government?

**James Bowler:** It is a very reasonable question. There are different architectures there. It would be a very large increase in the mandate of Mr Cheeseman, if he needed to cover that.

Could more be done? Yes. On those schemes, I will not rehearse the evidence you received last week, but, as you say, we did a burden-sharing agreement with local authority. Off the top of my head, the cost of administering those schemes, including with a view to fraud, was £200 million. Those can be written off back to central Government as long as everything reasonable has been done to look to address that. That was the spirit of what you heard last Thursday.

It would be quite a significant decision to take to expand the Public Sector Fraud Authority into local government. We are not there yet.

Q93 **Sir Geoffrey Clifton-Brown:** Nevertheless, that rather leaves a question



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mark hanging over the counter-fraud activity in local government. I am not going to get much further pressing you today, but can I ask you to give this Committee an undertaking that you will talk to your colleague in levelling up and see whether there needs to be a further Government initiative on counter-fraud activity in local authorities?

**James Bowler:** I will happily undertake that. I am probably not doing justice to all the work that does go on in local authorities.

**Chair:** Mr Cheeseman, this is a chance to grow your empire on your first day in office.

**Mark Cheeseman:** The Public Sector Fraud Authority already does a few things for local authorities. The National Fraud Initiative, about which we spoke earlier, is a data-matching service that they use to find instances, as I have said before.

The counter-fraud profession is accessible, and we have people in local authorities who are members of it. The apprenticeship we created for investigation as part of that is used by local authorities. The apprenticeship we will create on counter-fraud will be usable by local authorities. We publish the guidance we create, and that is accessible. I myself go and speak at local authority conferences on fraud and do pieces like that. We do a lot of the support engagement. We certainly do not shut the doors.

**Alex Chisholm:** The new procurement legislation will also enable us to bar people from procurement, including local government procurement, if they have committed fraud.

Q94 **Sir Geoffrey Clifton-Brown:** I hear what you say about professional personnel in local government. I suspect it is a little like central Government. Those that are doing it well will have the right professionals in place; the ones where the level of fraud and error is higher will perhaps not have those professionals in place.

This is really the import of my question to Mr Bowler. What are central Government doing to monitor local government as a whole, but particularly the laggards where you think, from your statistics, that the level of risk is greater?

**James Bowler:** We do not monitor that currently.

**Sir Geoffrey Clifton-Brown:** No. It is not monitored, Mr Bowler.

Q95 **Chair:** It is not necessarily you diving in with a very big empire. Is there any prospect of you having that overall landscape oversight?

**James Bowler:** That is a wider scope question.

Q96 **Sir Geoffrey Clifton-Brown:** Mr Cheeseman has the metrics. What more can be done by central Government to make sure they identify where there is a higher level of fraud in an individual local authority than



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there should be?

**James Bowler:** Let me take that away.

**Sir Geoffrey Clifton-Brown:** Thank you.

**Chair:** Thank you very much. We are very concerned about the state of local government audit. Once the money has gone out from the Treasury down to local or, indeed, regional government, you lose sight of it at that point.

**James Bowler:** Yes. There is a long history there, is there not?

**Chair:** We were concerned about the evidence we had last week, as well as other things.

Thank you all very much indeed for your time. The transcript of this session will be published uncorrected on the website in the next couple of days. Thank you to our colleagues at Hansard for that. We will be producing a report on this before the Summer Recess. Thank you very much.