



Digital Economy Act 2017: New Legislation to Fight Fraud

3rd March 2020



Overview



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

- What is the DEA
- What is the process
- What has happened with the powers
- Case study 1: Homes England
- Case study 2: ESFA
- Conclusions





Digital Economy Act



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

- Key issues relating to electronic communications
- Part 5 – Digital Government
- Sharing of citizen's data, for specific purposes and by specific authorities
- Data sharing powers reviewed after three years





56 Disclosure of information to combat fraud against the public sector

- (1) A specified person may disclose information held by the person in connection with any of the person's functions to another specified person for the purposes of the taking of action in connection with fraud against a public authority.
- (2) In this section and in Schedule 8 "fraud against a public authority" means a fraud offence which involves—
 - (a) loss to a public authority, or
 - (b) the exposure of a public authority to a risk of loss.
- (3) In subsection (2)—
 - (a) "fraud offence" means an offence under section 1 of the Fraud Act 2006 or, in relation to Scotland, an offence of fraud, and
 - (b) "loss", as it applies in relation to an offence under section 1 of the Fraud Act 2006, has the meaning given by section 5 of that Act.
- (4) For the purposes of this section and Schedule 8 taking action in connection with fraud against a public authority includes any of the following—
 - (a) preventing fraud of that kind;
 - (b) detecting fraud of that kind;
 - (c) investigating fraud of that kind;
 - (d) prosecuting fraud of that kind;
 - (e) bringing civil proceedings as a result of fraud of that kind;
 - (f) taking administrative action as a result of fraud of that kind.
- (5) In this Chapter "specified person" means a person specified, or of a description specified, in Schedule 8.



Government
Counter Fraud
Function

Who can use the powers?



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



Student
Loans Company



All English
& Welsh
Local
Authorities





How does it work?



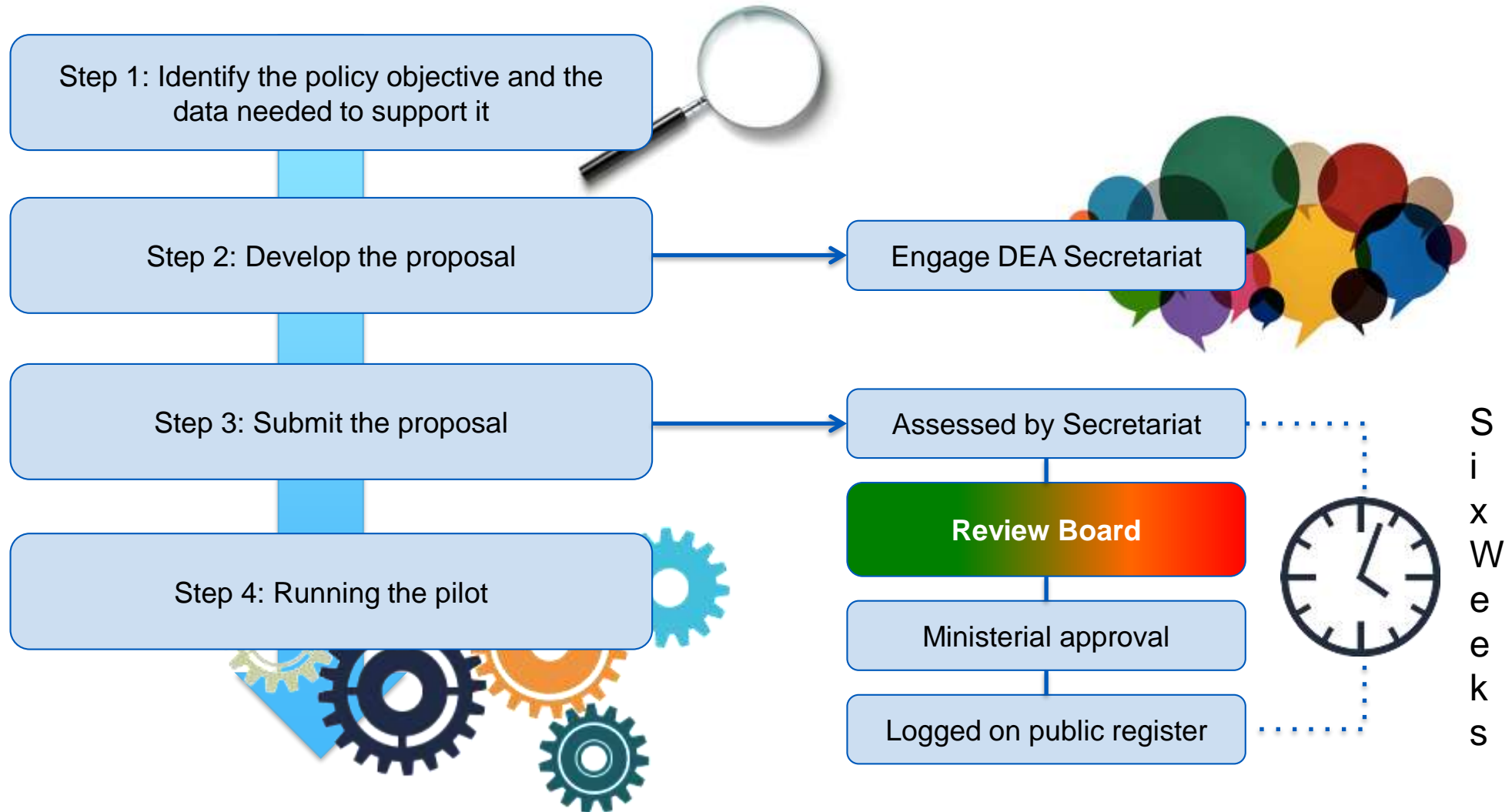
- Setting standards and policy
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- The Act states that the relevant Minister must issue a [Code of Practice](#) to cover Information Sharing under Part 5 – Digital Government.
- Sets out governance and processes:
 - All data shares must proceed as pilots;
 - All pilot activity must be overseen by a [Review Board](#);
 - All authorities seeking to use the powers must submit a proposal to the Review Board (B/C, DPIA and ISA);
 - The Minister (currently ‘for Implementation’) must approve all pilots;
 - All pilot activity must be recorded on [a public register](#); and
 - An organisation can seek to move the data share to business as usual but must evidence to the Review Board that the pilot has met its objectives.





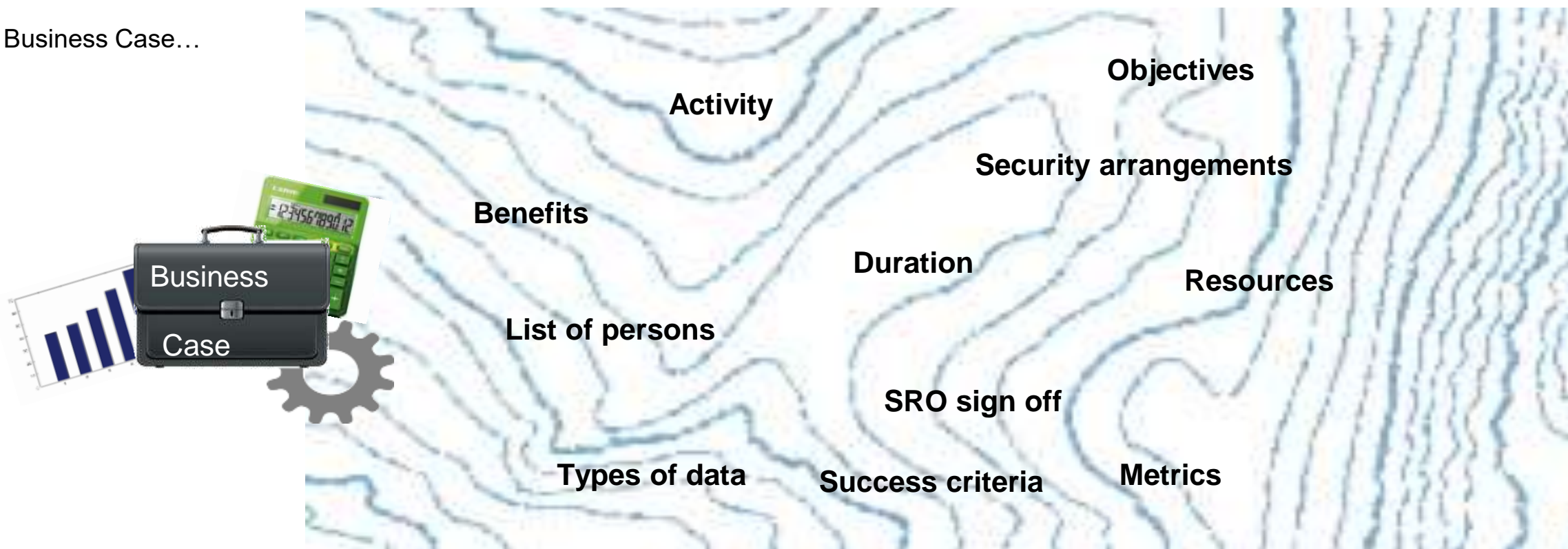
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- A proposal should consist of:

- Data Protection Impact Assessment
- Information Sharing Agreement (including security plan)
- Entry for the register
- Business Case...




Companies House


HM Revenue
& Customs


The Insolvency
Service

Where are companies submitting inaccurate accounts information to government?

- £5.1-£5.6m tax at risk in recovery.
- 3,500 accounts corrected on the companies house register.


Homes
England


HM Revenue
& Customs

Are Help to Buy Applicants providing false information to obtain Equity Loans?

- £337,000 identified fraud.
- Potential savings of £4.86m per year.


Cabinet Office


HM Revenue
& Customs

Can HMRC data help Local Authorities to find fraud through the NFI?

- £1m reported by 10 Local Authorities in stage 1.
- Predicted £25m through national roll out.


Student Loans Company


HM Revenue
& Customs

Are students double claiming for childcare grants?

- £0.5m identified.
- £5m if extrapolated to annual budget.

Other pilots, ongoing or in pipeline:


Department
for Work &
Pensions





Universal Credit
Pilot


Cabinet Office


HM Revenue
& Customs

Internal Fraud
Pilot


Education & Skills
Funding Agency


HM Revenue
& Customs

Apprenticeships

Case Study 1: Help to Buy



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

What was the fraud?

- The Help to Buy Loan is a 'second charge' mortgage. It supplements the primary mortgage agreed with a high street lender.
- With the Help to Buy Loan, a prospective purchaser can borrow up to 20% (40% in London) of the market value of a new build property.
- There are eligibility criteria relating to existing residential property ownership, acquisition of property post-sale, and sub-letting/occupancy. Sustainability criteria also limits the amount one can borrow based on household income.
- There is the opportunity and incentive to:
 - Fail to declare or dispose of existing residential property ownership at the point of purchase, or the acquisition of further property after purchase.
 - Inflate one's income to receive a larger loan (and purchase a more expensive property through the scheme).



Pay As You
Earn Data



Stamp
Duty Land
Tax activity



Self-
Assessment
(incl. income
from rental)



Land registry
data



Case Study 1: Help to Buy



- Setting standards and policy
- Building a profession
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What did we do?

- We developed a fraud risk methodology for each fraud type, and then applied this to the Help to Buy/HMRC data, identifying cohorts of individuals we believed to be at risk.
- Where possible, we enriched this with third party data (credit reference agency, for instance) and identified false positives.
- We wrote to individuals, offering them the chance to explain discrepancies in the data. This identified more false positives, and enabled us to devise a final fraud and error rate.
- We found £337,000 of potential fraud in the sample relating to property ownership. With a fraud and error rate of 0.13%, this could save Homes England £4.86m per year.
- We identified a fraud and error rate of around 13% related to the overstatement of income (using a £10k tolerance). No economic value was extrapolated from this.

But...

We didn't ask for evidence as part of write outs

We probably identified more false positives than was actually the case relating to property

We didn't get to statistical significance on income

We could have used HMRC data to risk score

We could have used HMRC data to identify patterns and enablers

so...

We can't say with any certainty what the *extent* of fraud and error is.

Case Study 1: Help to Buy



- Setting standards and policy
- Building a profession
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Help-to-buy loans benefited more rich than poor households

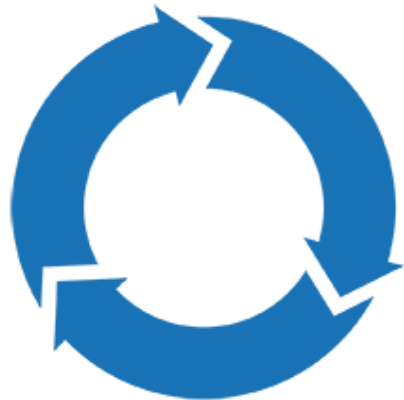
Whitehall figures show over 5,500 households with annual income of £80,000 got loans

Help-to-buy scheme pushes up housebuilder dividends

Flagship policy of former government drives up house prices



Reputational concerns



Senior Sponsorship/business continuity

challenges/barriers

Capability and capacity



Organisational structures

Case Study 2: ESFA



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

What is the fraud?

- ESFA fund learning providers to deliver training to apprentices. Learning providers are paid per apprentice registered. Funding is paid in monthly instalments. The provider is expected to inform ESFA if a learner withdraws from training.
- ESFA rely on the learning provider to conduct checks on apprentice eligibility, and then submitting accurate information.
- There is the opportunity and the incentive for the provider to:
 - Falsify identity details of the learner;
 - Use cloned identity details to falsify that someone is in learning;
 - Fail to declare that a learner has withdrawn from training.
- ESFA uncovered systematic abuse of this nature at a learning provider, following a whistleblowing incident. £5m of funding was identified as at risk.



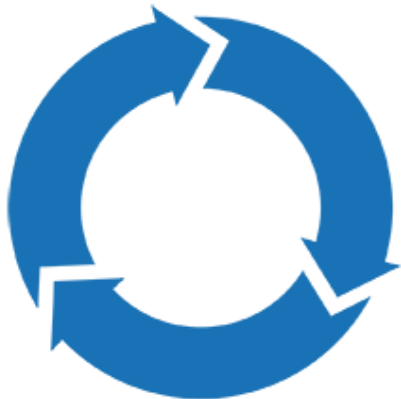
Case Study 2: ESFA



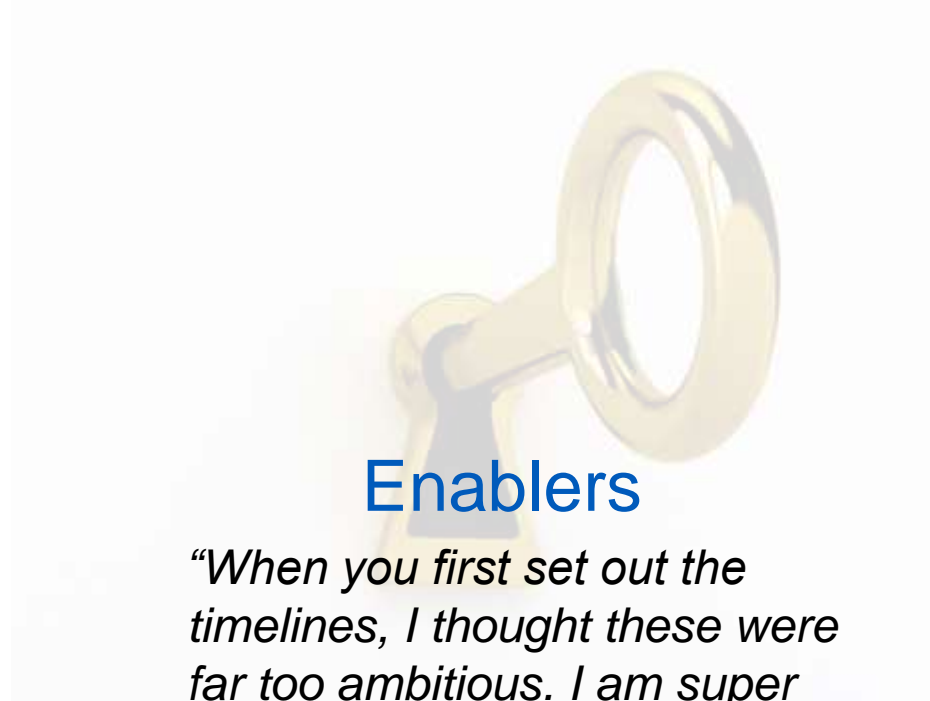
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Reputational
empowerment



Senior
Sponsorship/business
continuity



Enablers

“When you first set out the timelines, I thought these were far too ambitious. I am super impressed that we are already analysing the data, just 2 months later” – DD at ESFA

Capability
and capacity



Organisational
structures



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Any questions?