



National Audit Office

An Overview of the
**impact of fraud and error
on public funds**

for the new Parliament 2023-24

November 2024

OVERVIEW

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1 Introduction to the National Audit Office

Welcome to our Overview of the impact of fraud and error on public funds, part of our series of Overviews for the new Parliament, covering government departments and cross-cutting issues.

The National Audit Office (NAO) is the UK's independent public spending watchdog and is responsible for scrutinising public spending for Parliament. We audit the financial accounts of all departments, executive agencies, arm's-length bodies, some companies and charities, and other public bodies. We also examine and report on the value for money of how public money has been spent.

The NAO is independent of government and the civil service. The NAO's wide remit and unique access rights enables us to investigate whether taxpayers' money is being spent in line with Parliament's intention and to respond to concerns where value for money may be at risk.

We support all Members of Parliament to hold government to account and we use our insights to help those who manage and govern public bodies to improve public services. In 2023, the NAO's work led to a positive financial impact through reduced costs, improved service delivery, or other benefits to citizens, of £1.59 billion.

We are funded by, and accountable to, Parliament. As an Officer of the House of Commons, I am committed to ensuring that we support you and your staff in your work as a Member of Parliament, and your scrutiny of public spending and performance.

Our dedicated Parliamentary team can offer you support and put you in touch with our experts on subjects of interest to you and your constituents. If you would like more information about our work, or to arrange a briefing with me or one of my teams, please contact our Parliamentary Relations team at parliament@nao.org.uk.



Gareth Davies

COMPTROLLER & AUDITOR GENERAL
NATIONAL AUDIT OFFICE

Gareth Davies was appointed Comptroller & Auditor General (C&AG) in June 2019. He was appointed by the Monarch, following the approval of the House of Commons.

The C&AG has statutory authority to examine and to report directly to Parliament on whether government departments and other public sector bodies have spent taxpayers' money in the way Parliament intended. The C&AG and his staff are totally independent of government.

Gareth is a Fellow of the Chartered Institute of Public Finance and Accountancy and a Fellow of the Institute of Chartered Accountants in England and Wales. He is a non-executive Board member of the INTOSAI Development Initiative (IDI), which supports Supreme Audit Institutions (SAIs) in developing countries to sustainably enhance their performance and capacity.

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2 How the NAO can help you as a Member of Parliament

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How we support Parliament

We produce reports:

- on the annual accounts of government departments and their agencies;
- on the economy, efficiency and effectiveness with which government has spent public money; and
- to establish the facts where there are concerns about public spending issues.

We do not question government policy objectives. We look at how government has spent money delivering those policies and if that money has been used in the best way to achieve the intended outcome.

What we can offer

Through our website or our Parliamentary Relations team, MPs, peers and staff can:

- request a personal briefing on areas of our work that are of interest to them;
- sign up to receive embargoed copies of our reports on subjects of interest;
- make general queries about public spending, or raise concerns with us about value for money; and
- request advice on understanding and scrutinising departments' annual reports and accounts.

Resources available on our website

- **Reports:** Reviews of public spending and how well government is delivering.
- **Insights:** Learning and best practice to help people across government and the wider public sector.
- **Overviews:** Factual overviews of government departments, sectors and services.
- **Work in progress:** Our schedule of future publications.
- **Briefings:** Background information and factual analysis to support Select Committees.

Keep up to date with our work

- Sign up to our [latest report updates](#)
- Follow us on [X](#) or [LinkedIn](#)

How to get in touch

- Via our Parliamentary email inbox: parliament@nao.org.uk.



Auditing the accounts of all government departments and public organisations, helping assure money is being spent the way Parliament intended



Reporting to Parliament on the value for money of how public money has been spent and what has been achieved



Sending you embargoed copies of our reports before they are available to the public



Providing briefings to you or a member of your team on our work



Providing advice and training on examining government departments' annual reports and accounts



Giving evidence to Select Committees



Our fortnightly newsletter with our latest reports and new work



You can write to us with any queries or concerns about the misuse of public money or behaviour in public bodies we audit

3 About this Overview

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This report provides an introduction to the impact of fraud and error on public funds, how public bodies can tackle fraud and error, and the NAO's examination of the topic. **It is intended to support the Committee of Public Accounts and Members across the House in their examination of how government manages fraud and error and some of the things it could do to improve.**

Since the start of the COVID-19 pandemic, government has reported significantly higher levels of fraud and error in its annual reports and accounts. At least **£11 billion of fraud and error** was estimated in government accounts for 2022-23 alone. The increase will partly be a result of better measurement and reporting in more areas of government activity. In addition, there are billions lost from tax evasion and other forms of non-compliance, which are not accounting estimates, but which are also set out in the annual reports and accounts.

The NAO is well placed to examine this topic. Through our audit of government accounts, we reach an opinion on whether expenditure is 'regular'. This means considering whether money provided by Parliament is spent on the purposes intended by Parliament. The C&AG may also present a report with more detail on any irregular expenditure found.

For example, we produce an annual Report on Accounts for the Department for Work & Pensions (DWP) looking at fraud and error in benefit expenditure.

We also produce around 60 value for money reports a year. Published and presented to Parliament, many of these reports consider how departments are managing the level of fraud and error, where this is material to the topic.

This overview summarises the key information and insights from our work. It includes:

- what we mean by fraud and error, and how government is structured to tackle it;
- the fraud and error risk management cycle;
- fraud and error against government, including in benefits, taxes and COVID-19 fraud;
- emerging threats and opportunities; and
- what to look out for when thinking about fraud and error.

How we have prepared this report

The information in this report draws on the findings and recommendations from our financial audit and value for money work, and from publicly available sources, including the annual report and accounts of government bodies.

We have cited these sources throughout the guide to enable readers to seek further information if required. Where analysis has been taken directly from our value-for-money or other reports, details of our audit approach can be found in the Appendix of each report,

including any evaluative criteria and the evidence base used.

Other analysis in the guide has been directly drawn from publicly available data and includes the relevant source as well as any appropriate notes to help the reader understand our analysis.

Other relevant publications

More information about our work on fraud and error, as well as information about our other recent and upcoming reports can be found on the [NAO website](#).



4 Why should government be concerned about fraud and error?

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Fraud and error cost the taxpayer billions of pounds each year – but most of the potential loss goes undetected.

Based on the Public Sector Fraud Authority's (PSFA) methodology, we estimate that fraud and error cost the taxpayer **£55 billion to £81 billion** in 2023-24 (see chart on the right).

Only a fraction of this is **detected** and known about – enabling investigation and recovery.

Significantly more fraud and error is **estimated** based on robust measurement, for example sample testing of benefit spending by DWP.

The PSFA believes there is 0.5% to 5% of fraud and error in unexamined areas of spend and income – but the exact amount remains **unknown** (see box below).

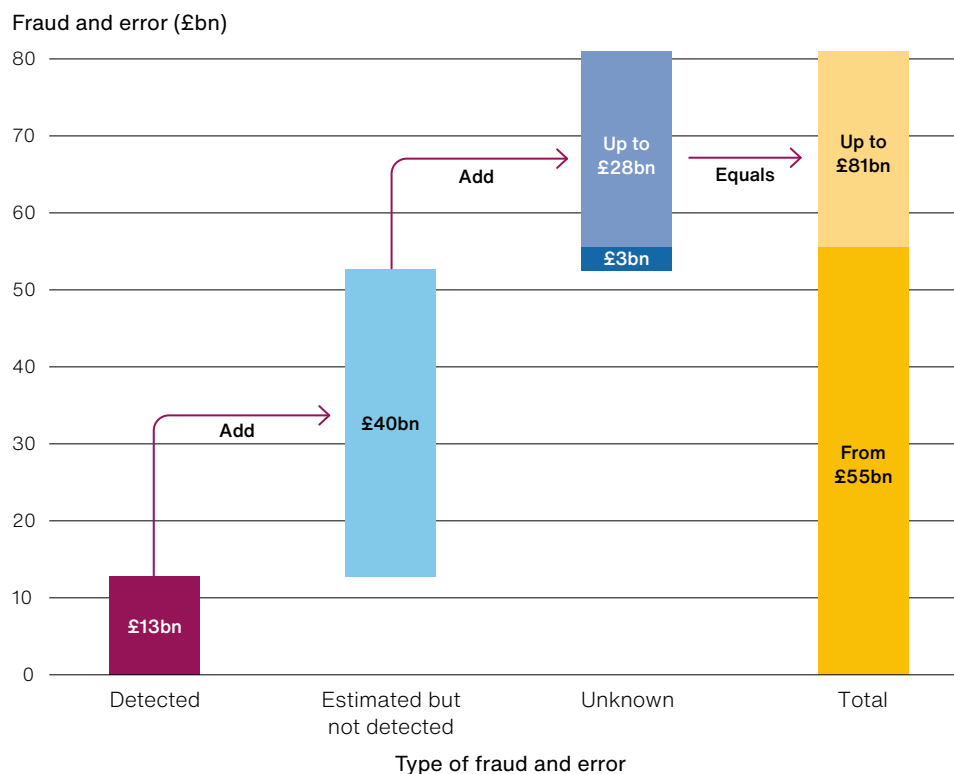
How does government estimate the level of 'unknown' fraud and error?

PSFA's best available evidence suggests that the level of fraud and error in unmeasured areas of government activity is between **0.5% and 5.0%**.

This is based on a Cabinet Office review of around 50 fraud and error measurements that included every major department.

Public sector fraud and error in 2023-24

We estimate that between **£55 billion and £81 billion** of fraud and error occurred, most of which went undetected



Notes

- 1 Numbers do not sum as they are rounded to the nearest £1 billion.
- 2 Chart does not include local or devolved spend and income.
- 3 Numbers include only overpayments or loss to taxpayer, not underpayments.

Source: See Appendix for methodology and sources used

■ Detected (£13 billion)

£9 billion of tax revenue that HM Revenue & Customs (HMRC) knows it has not received due to fraud and error.

£3 billion of overpaid benefits detected by the Department for Work & Pensions (DWP).

£1 billion detected by other public bodies.

■ Estimated but not detected (£40 billion)

£30 billion of tax revenue that HMRC estimates it has not received due to behaviours analogous to fraud and error, compared to £843 billion of tax collected.

£1 billion of overpaid reliefs and benefits estimated by HMRC out of £30 billion paid.

£7 billion of overpaid benefits estimated by DWP out of £269 billion paid (*this £7 billion excludes detected amounts shown above*).

£2 billion estimated by other public bodies.

■ Unknown (from £3 billion up to £28 billion)

There is around **£560 billion** of public spend and income that is not subject to any fraud and error measurement.

The Public Sector Fraud Authority expects that there is **0.5% to 5.0%** fraud and error in these unexamined areas.

This implies fraud and error between **£3 billion and £28 billion**.

5 What do we mean by fraud and error?

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Fraud and error means money is not spent in the way taxpayers and Parliament intend. It increases the cost of delivering public services.

Fraud (as seen through the ‘civil’ test), is where public bodies determine that there is, on the balance of probability, evidence that a case or transaction is incorrect because somebody intended it to be so they could make a gain or avoid a loss. If fraud is to be prosecuted as a criminal offence, a higher, ‘beyond reasonable doubt’ test is applied in place of the balance of probability.

Error is where a case or transaction is incorrect but, on the balance of probability, no-one intended it to be incorrect.

For government to reduce and prevent fraud and error, it needs to understand the risks that it faces. In our 2023 [Tackling fraud and corruption against government](#) report, we listed six types of fraud risks inherent in government activities.

We found that most departments were exposed to several types of fraud risk in their major areas of spending, but that few produced regular, reliable, and comprehensive measurement of the level of fraud (or error) in those areas. For each type of fraud risk listed, there is a corresponding type of error that has a similar result, but where there was no intent or the intent cannot be proved.

Area of risk	Description of potential fraud and error risks in this area
Grant fraud	Misappropriation (for example, through the grant recipient being ineligible) or misuse (using the grant money for something other than the defined purpose) of grant money, by an individual or entity.
Service-user fraud	Using false information dishonestly to obtain money, goods or services from government that the individual or entity is not eligible for, or using the money for something other than the intended purposes.
Procurement and commercial fraud	Fraudulent activity specifically related to supplying goods or services to the government, or illegal practices that occur between government and the private sector.
Income evasion	An intentional attempt to avoid payment for goods, services or other financial obligations owed to the government.
Internal fraud and corruption	When somebody within government defrauds, or circumvents regulations, the law or policy, whether alone or in collusion with any other person, with intent to cause government to sustain a loss or obtain an improper gain for the employee or any other person or body acting in collusion.
Regulatory fraud	Abuse of a government owned process through false representation or a dishonest act, with the intention of making a gain or causing a loss to individual(s) independent of government. There may be no monetary trail within government for regulatory fraud, which can make it harder to quantify and prevent, while the possible absence of a direct loss to government may mean that public bodies are less incentivised to tackle this risk.

Source: Comptroller and Auditor General, [Tackling fraud and corruption against government](#), Session 2022-23, HC 1199, National Audit Office, March 2023

6 How government is structured on fraud and error

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Public bodies, and their Accounting Officer as the most senior official, have responsibility to manage their own fraud and error risk. But there are several government and external stakeholders who also have a role.

Government departments and Accounting Officers

Each department is individually responsible for managing its own fraud and error risk. The Accounting Officer, usually its most senior official, is required to demonstrate they have a cost-effective system of control that reduces fraud and error as much as possible. This includes assessing and responding to fraud risks, measuring the effectiveness of the fraud response, and detecting and reporting fraud.

Other government and external organisations that help bodies to tackle fraud

Public bodies that investigate fraud and corruption

Government Internal Audit Agency

Includes a team providing counter-fraud services to the public sector across the UK.

National Crime Agency

Leads the UK's fight against organised crime. Works with the public sector to pursue fraudsters.

Serious Fraud Office

A non-ministerial department that investigates and prosecutes serious or complex fraud, bribery and corruption.

Department for Work & Pensions (DWP) and HM Revenue & Customs (HMRC)

Have powers to investigate fraud and corruption in benefit payments and taxes.

Departments, bodies or groupings with cross-government responsibilities

Cabinet Office

Cabinet Office support the Prime Minister and effective running of government. They are the corporate headquarters of government, in partnership with HM Treasury, and jointly oversee the Public Sector Fraud Authority.

HM Treasury

HM Treasury is responsible for public spending, UK economic policy and sustaining economic growth. It jointly oversees the Public Sector Fraud Authority with Cabinet Office.

Public Sector Fraud Authority (PSFA)

Reporting to both Cabinet Office and HM Treasury, the PSFA brings together counter-fraud experts to reduce the impact of fraud in departments and public bodies. It is also the centre of the Government Counter Fraud Function.

Government Counter Fraud Profession (GCFP)

GCFP was introduced to develop a common structure for developing counter-fraud capability. It has around 7,000 members across 45 organisations, most of whom are also members of the GCFF.

Government Counter Fraud Function (GCFF)

GCFF brings together around 15,000 full-time equivalents to reduce the impact of fraud in the public sector. It aims to build capability across government, share intelligence and increase the understanding of fraud risk.

External organisations that report on counter-fraud issues

Cifas

A cross-sector fraud prevention membership organisation that works with the public sector to create a fraud prevention environment.

Chartered Institute of Public Finance and Accountancy

An accountancy membership body. Supports the national counter-fraud and anti-corruption strategy for government.

Institute of Chartered Accountants in England and Wales

An accountancy membership body. Reports on key issues affecting the profession, including public sector fraud.

Fraud Advisory Panel

A charitable organisation which helps advise government on fraud prevention, detection and reporting.

National Audit Office

Audits government accounts and examines the value for money of how public money has been spent – including on departments' efforts to tackle fraud and error.

→ Accountability → Information sharing and collaboration

Source: Adapted from Comptroller and Auditor General, *Tackling fraud and corruption against government*, Session 2022-23, HC 1199, National Audit Office, March 2023

7 The role of the Public Sector Fraud Authority

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The Public Sector Fraud Authority (PSFA) was launched in August 2022, in response to concerns about fraud during the COVID-19 pandemic and the lack of a coordinated response. It aims to understand and reduce the impact of fraud against government.

The PSFA has three core roles and services, shown below.

PSFA core roles and services

PSFA core roles	PSFA services
Performance, assurance and review Assessing the quality of departmental approaches.	Risk, threat and prevention Supports public bodies in undertaking fraud risk assessments.
Practice, standards and capability Developing the profession through the provision of professional standards for people and training.	Data and intelligence A central data-matching and intelligence function.
Counter-fraud policy Leading on cross-government counter-fraud policy issues.	Enforcement PSFA is piloting a central unit to investigate frauds that departments do not have capacity to investigate.

Source: Comptroller and Auditor General, [Tackling fraud and corruption against government](#), Session 2022-23, HC 1199, National Audit Office, March 2023

Counter-fraud requirements

PSFA has introduced and supported counter-fraud requirements for departments and public bodies, including the need to:

- complete **initial fraud impact assessments (IFIA)**s on any new major spend areas;
- provide data to PSFA quarterly on fraud that is **detected, recovered and prevented**;
- provide PSFA with access to the information it needs to review how well departments are performing against fraud and error **functional standards** it has set; and
- agreement of **annual action plans and metrics** on fraud management.

PSFA also maintains a 'global fraud risk assessment' that sets out the risk across government, and the 'high risk fraud portfolio' which lays out the highest risk areas of spending and the capability in place to deal with them.

Guidance on fraud

PSFA has built on existing guidance such as the Government Counter Fraud Function's **Functional Standard S013** around fraud and guidance on **fraud risk assessments**. This has included:

- a **practice note** on IFIAs. This sets out the intended benefits of IFIAs, when they are required, and how they should be completed;
- a **practice note** on countering bribery and corruption; and
- **Fraud Prevention Standards for Counter Fraud Professionals and Fraud Intelligence Practitioners**, aiming to provide a cross-government approach to countering fraud, increase the quality of counter-fraud work, and, raise the capability of counter-fraud staff.

The fraud risk assessment guidance says that public bodies must produce and maintain **full fraud risk assessments** on higher-risk initiatives.

8 The objectives government has set to tackle fraud and error

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In March 2023, our [Tackling fraud and corruption against government](#) report set out government's understanding and capabilities around fraud and corruption. It also provided insights on things the newly formed PSFA could do to reduce fraud and corruption and the perception of it.

Our report recommended nine things government can do to show it is tackling fraud and corruption:

- 1 Develop the counter-fraud and corruption profession.
- 2 Harness and use data to prevent fraud and corruption.
- 3 Develop robust assessments of the level of fraud and corruption.
- 4 Embrace a preventive approach, tailored to the risks of each area.
- 5 Design out fraud and corruption from new initiatives and systems.
- 6 Use its investigative powers and capabilities as an effective preventive deterrent.
- 7 Set an anti-fraud and corruption culture.
- 8 Act as 'one government' in tackling fraud.
- 9 Demonstrate best practice financial control and transparency.

In March 2024, the Government Counter Fraud Function (GCFF) drew on our insights when setting out its five strategic objectives in its [2024–2027 Functional Strategy](#).

GCFF strategic objective (March 2024)	Description of objective
1 Support and develop our people	Building counter-fraud knowledge, skills and expertise by increasing training opportunities, developing support and breaking down barriers to entry.
2 Harness data and technology more effectively	Innovative use of technology, including AI, to increase the amount of fraud prevented and detected by data analytics. Ensuring access to more key datasets in accessible and shareable forms.
3 Embed prevention	Embedding prevention and measurement methodologies and articulating the benefits. Increasing the number of trained risk assessors. Increasing the number and quality of IFIAs, fraud risk assessments, and fraud measurement and controls testing activities to better design-out fraud risks. Delivering targeted training and improving the understanding of risk across government.
4 Drive a targeted, proportionate response against fraudsters	Mapping counter-fraud powers and sanctions and developing a cross-function coordination model. Developing guidance on approaches that public bodies should take to respond to fraudsters. Piloting an enforcement body for the public sector bodies who need it. Introducing legislation to modernise counter-fraud powers.
5 Secure cross-system cultural change	Increasing the recognition of counter-fraud work across government. Increasing engagement with cross-government governance structures to embed counter-fraud best practice at all levels of decision making. Increasing engagement with finance, HR, commercial, grants and debt management functions to embed counter-fraud in their operations and policies.

Source: Government Counter Fraud Function, [Government Counter Fraud Functional Strategy 2024–27](#), March 2024



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Managing fraud and error effectively requires public bodies to take a cyclical approach

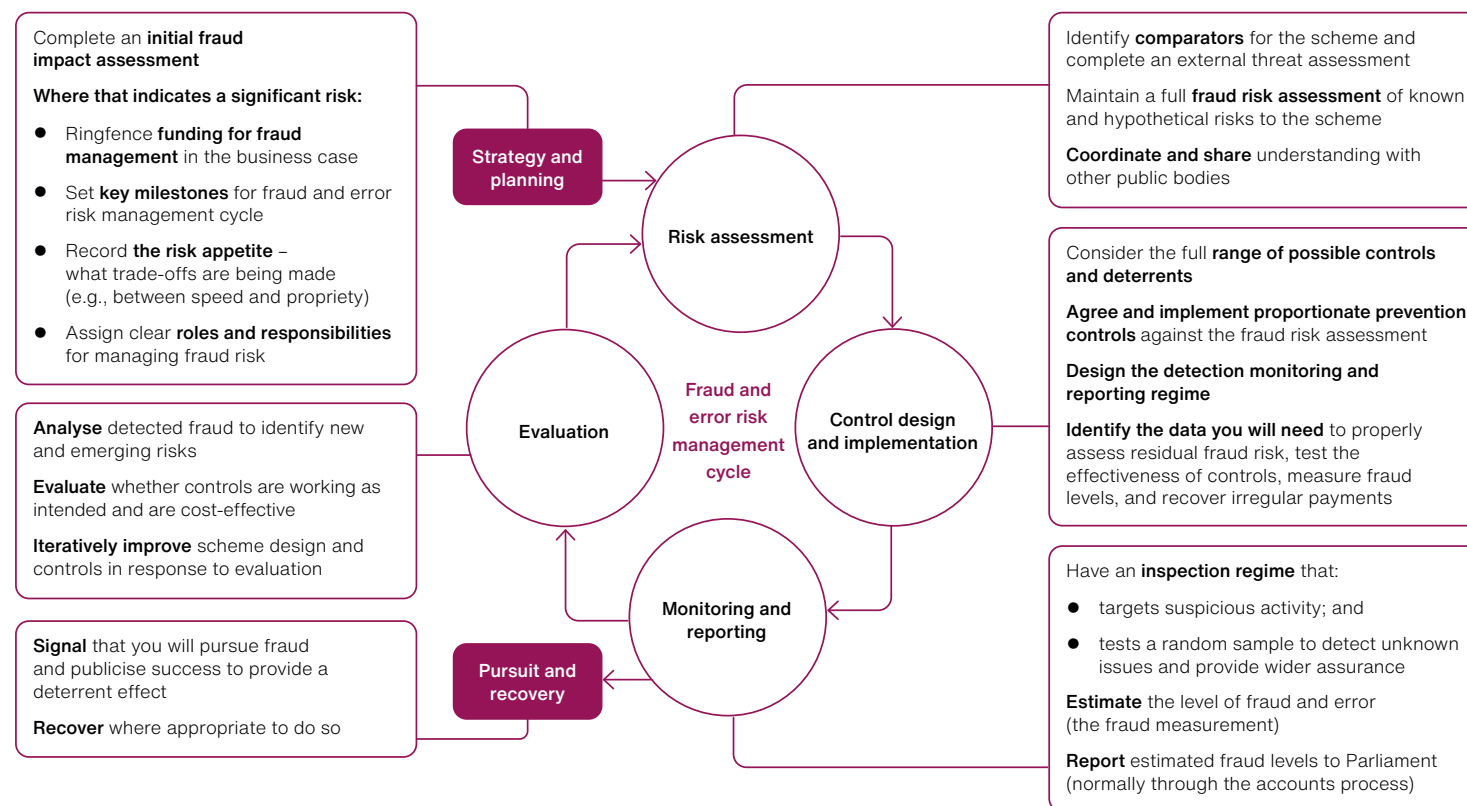
We published a fraud and error risk management cycle as part of our [Lessons learned report on fraud and propriety in an emergency](#), and recommended that public bodies include funding to implement this in their business cases for spending initiatives.

The cycle aligns with the International Public Sector Fraud Forum's five principles for managing fraud:

- 1 There is always going to be fraud. Organisations need robust processes in place to prevent, detect and respond to it.
- 2 Finding fraud is a good thing. You have to find fraud to be able to fight it.
- 3 There is no one solution. Addressing fraud needs a holistic response incorporating detection, prevention and redress, underpinned by a strong understanding of risk.
- 4 Fraud and corruption are ever changing. Fraud evolves quickly and organisations must be agile and change their approach to deal with these evolutions.
- 5 Prevention is the most effective way to address fraud and corruption. This reduces loss and reputational damage. It also requires fewer resources than a detection and recovery approach.

The fraud and error risk management cycle

Public bodies should take a cyclical approach to detecting and preventing fraud and error over the lifetime of a scheme



Source: Comptroller & Auditor General, *Lessons learned: tackling fraud and protecting propriety in government spending during an emergency*, Session 2023-24, HC 444, National Audit Office, February 2024

10 Fraud in wider society

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The high level of fraud against government partly reflects wider social trends

In the year ending March 2024, fraud accounted for 36% of headline crime incidents experienced by adults and private households, as measured by the Office for National Statistics (ONS) produced *Crime Survey for England and Wales*. More information about this survey, and which types of crime it does and doesn't include, can be seen [here](#). The Home Office is responsible for preventing and reducing crime, including fraud against individuals and businesses, but not the public sector.

In our November 2022 [Progress combatting fraud](#) report, we recommended that the Home Office complete and publish its fraud strategy. It [did this](#) in May 2023, and estimated the cost of fraud committed against individuals (not public bodies or businesses) in 2019-20 to be £6.8 billion.

The Home Office strategy had three key pillars to combat fraud against individuals and businesses:

- **Pursue fraudsters:** disrupting activities and bringing them to justice more often and quicker
- **Block frauds:** by dramatically reducing the number of fraud and scam communications that get through to the public
- **Empower the public:** to recognise, avoid and report frauds and equip them to deal with frauds that do get through

The Crime Survey for England and Wales estimated there were around 3.2 million fraud incidents in the year to March 2024, a reduction of around 10% from the number recorded in the year to March 2023.

In the same period, police recorded fraud was reported to be 7% higher (1.2 million offences) compared with the year ending March 2023. This may represent an increased awareness and willingness to report fraud rather than an increase in fraud incidents.

Social attitudes in the UK on fraud indicate the difficult context that government departments are operating in to reduce fraud and error. [Data](#) commissioned by Cifas shows that 12% of people in the UK admitted to committing fraudulent conduct against a business or public body in 2023, up from 8% in 2021.

Home Office estimate of the economic and social cost of fraud against individuals in 2019-20

The biggest cost is direct financial losses incurred by victims, but there are also costs involved in prevention activity and in law enforcement

Type of cost



Notes

- 1 Costs as a consequence of fraud include direct financial loss and emotional harms to victims, the value of lost economic output, and the cost of required health and victim services.
- 2 Costs in anticipation of fraud include the costs of crime detection and prevention by individuals and businesses and the administrative costs of reimbursement.
- 3 Costs in response to fraud include costs to the police for investigating a crime, and for the criminal justice system to charge and prosecute fraudsters.

Source: Home Office, [Fraud Strategy: Stopping Scams and Protecting the Public](#), CP 839, May 2023

11 The tax gap

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HM Revenue & Customs (HMRC) collected **£843.4 billion in tax revenue in 2023-24**. It **estimates** that in 2022-23, it collected **95.2% of the tax owed to it and that it did not collect the remaining 4.8% of tax owed, leaving a 'tax gap' of £39.8 billion**.

HMRC defines the tax gap as *'the difference between the amount of tax that should, in theory, be paid to HMRC, and what is actually paid'*.

HMRC also estimates how different behaviours and customer types contribute to the overall tax gap.

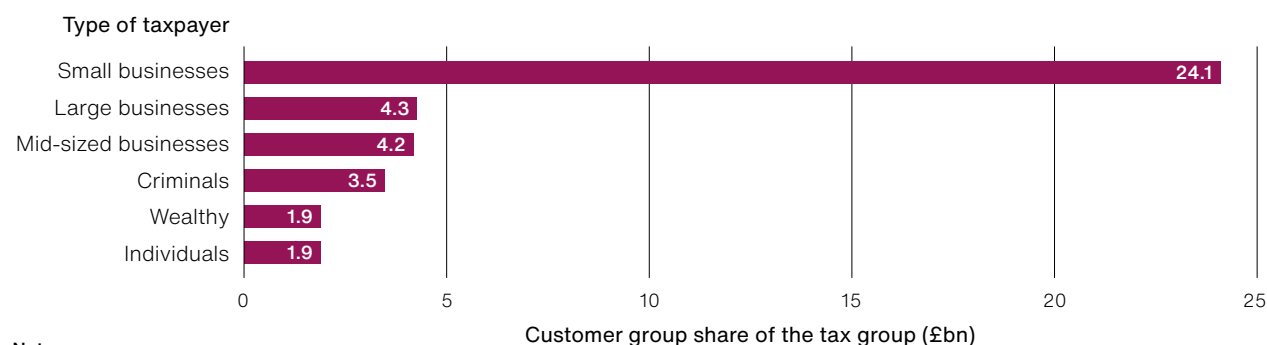
Certain behaviours are analogous to fraud and error – failure to take reasonable care, error, evasion, criminal attacks, and hidden economy. In 2022-23, **£29 billion** of the tax gap related to these categories.

HMRC estimates that 'taxpayers not taking reasonable care' is the behaviour that contributes the highest share of the overall tax gap, with HMRC estimating it made up 30% (£12 billion) of the overall difference between the tax it should have received, and the amount it actually received in 2022-23.

It also estimated that the 'small business' category of taxpayer made up around 60% (£24 billion) of the overall 2022-23 tax gap. The proportion attributed to small businesses has increased every year since 2017-18, when it made up 37% of the tax gap.

HM Revenue & Customs' estimate of how different types of taxpayer contributed to the tax gap in 2022-23

Most of the tax gap relates to small businesses



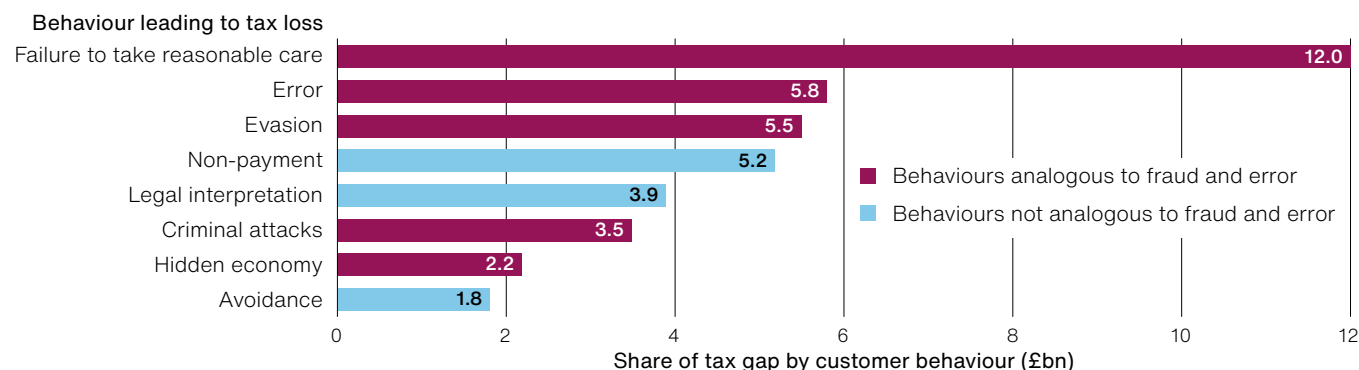
Note

1 Taxpayer types sum to £39.9 billion as opposed to the £39.8 billion tax gap. This is due to rounding.

Source: National Audit Office analysis of HM Revenue & Customs, [Measuring tax gaps 2024 edition: tax gap estimates for 2022 to 2023](#)

HM Revenue & Customs' estimate of how different types of behaviour contributed to the tax gap in 2022-23

£29 billion relates to categories analogous to fraud and error



Note

1 Behaviours sum to £39.9 billion as opposed to the £39.8 billion tax gap. This is due to rounding.

Source: National Audit Office analysis of HM Revenue & Customs, [Measuring tax gaps 2024 edition: tax gap estimates for 2022 to 2023](#)

12 How to reduce the tax gap

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The tax gap will never be eliminated, but it can be reduced. Our recent work has highlighted three main ways that HMRC can receive more of the tax revenue it is due, and in doing so reduce the size of the tax gap.

HMRC should ensure that it understands the impact of its compliance work so that it can target activities to bring in the most tax revenue.

HMRC conducts compliance activity to ensure that the right amount of tax is paid at the right time and that the tax system is operating fairly. This can be by encouraging voluntary compliance and preventing non-compliance before it happens, or by identifying and tackling non-compliance after it has happened.

HMRC estimates it brought in £41.8 billion from compliance activities in 2023-24, bringing its yield from such activities closer to pre-pandemic average levels. HMRC has an overall compliance strategy that focuses on tackling all forms of non-compliance, with an overall aim to stop the tax gap increasing.

In our 2022 report [Managing tax compliance following the pandemic](#), we concluded that there was “little doubt” that HMRC’s compliance work offers good value for money. But we also said the compliance yield measure “needs to be sufficiently robust and transparent to instil confidence in the absolute levels of return it can generate”.

In that report, we also recommended that HMRC analyse the relative rates of return from different types of compliance intervention, to help inform how it prioritises and allocates resources.

HMRC should make it easier for customers to comply and get help, so they pay the right amount of tax.

For example, HMRC estimates that its work to ‘make tax digital’ and in doing so reduce tax lost to avoidable errors, brought between £185 and £195 million in additional VAT in 2019-20. However, its plans to improve digital services for other taxes have faced multiple delays, as we set out in our 2023 [Progress with making tax digital](#) report.

Our 2024 [HMRC customer service](#) report found that HMRC does not know the impact of customer service levels on the amount of tax it collects. However, exploratory research by HMRC in 2013 found that participants felt improved experience could lead to a reduction in mistakes and improved timeliness. We also found that HMRC had been “unable to cope” with telephone demand and had consequently fallen short in processing correspondence.

In our 2023-24 report on [HMRC’s annual accounts](#), we noted that around a third of calls to HMRC advisors weren’t answered in 2023-24, falling short of HMRC’s target to answer 85% of calls.

HMRC should ensure that tax rules are soundly designed and easy to comply with, and evaluate and iterate rules as required.

In 2021, HM Treasury stated the following in its [review of the office of tax simplification](#):

“Unnecessary complexity within a tax system increases the costs of complying with tax rules for taxpayers and their representatives, creates a lack of understanding among individuals and businesses regarding their tax obligations, and inhibits taxpayers from understanding the choices open to them. This in turn has the potential to erode trust in the tax system, create a bigger tax gap due to accidental non-compliance and limit the UK’s ability to effectively compete for greater business investment.”

We have also spoken about the importance of evaluating and iterating tax rules. For example, our 2024 report [Tax measures to encourage economic growth](#) discussed the way government evaluates tax reliefs. We concluded that reliefs failing to meet their objectives, or subject to error or fraud, were costing the Exchequer billions of pounds. The government should carry out sufficient evaluation to understand whether reliefs are working, and act promptly to address fraud and error where they are identified.

13 Fraud and error in benefit expenditure

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In total, around £10 billion of benefits were overpaid in 2023-24

The Department for Work & Pensions (DWP) paid around £142.3 billion in welfare benefits in 2023-24 and £123.9 billion in State Pension, while HM Revenue & Customs (HMRC) paid around £19.8 billion across Personal Tax Credits and Child Benefit. The amount HMRC spends on tax credits is reducing each year as it is gradually replaced by Universal Credit, which is paid by DWP.

Both DWP and HMRC estimate the extent to which some people were paid more or less than they were entitled to, be it through fraud or error.

Overpayments

Across DWP and HMRC, 3.6% of benefits were overpaid in 2023-24, representing around £10.2 billion (2022-23 was 3.5%, £8.8 billion).

After State Pension, Universal Credit (UC) is the largest benefit by expenditure. DWP paid £51.9 billion in UC in 2023-24, and it estimates around £6.5 billion (12.4%) was overpaid.

In 2019-20, before the COVID-19 pandemic, DWP estimated overpayments of 9.4% in UC. DWP does not expect fraud and error in UC to return to the levels seen before the pandemic, due to “an increasing propensity for fraud in society”.

In recent years the NAO has produced specific reports on overpayments of [Carer's Allowance](#), and [Universal Credit advances](#).

Underpayments

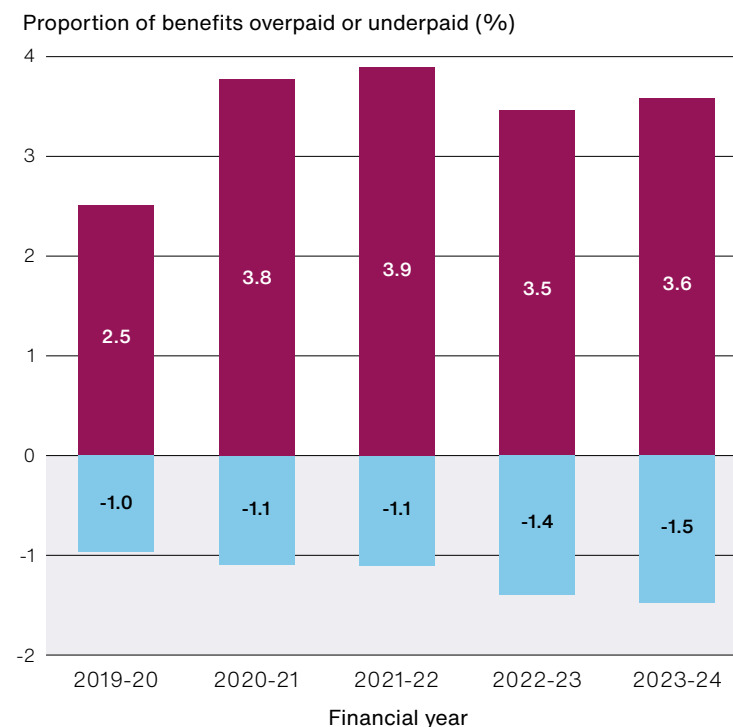
DWP and HMRC also estimate the benefits or tax credits that claimants met the eligibility criteria for but did not receive (underpayments, or unfulfilled eligibility).

In 2023-24, HMRC and DWP estimate that there was around £4.3 billion (or 1.5% of expenditure) less paid than claimants were eligible to receive (underpayments, or unfulfilled eligibility).

In recent years the NAO has produced specific reports on underpayments of [State Pension](#), and [Employment and Support Allowance](#).

Benefits overpaid and underpaid by the Department for Work & Pensions and HM Revenue & Customs, 2019-20 to 2023-24

A total of £10 billion (3.6%) of welfare benefit spend was overpaid in 2023-24



Overpayments (£bn)	5.6	9.0	9.3	8.8	10.2
Underpayments (£bn)	-2.2	-2.6	-2.6	-3.6	-4.3

Source: National Audit Office analysis of Department for Work & Pensions fraud and error in the benefit system statistics and HM Revenue & Customs Personal Tax Credit and Child benefit fraud and error from the Annual Report & Accounts

14 How DWP can reduce benefit fraud and error

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We have qualified our opinion on DWP's accounts due to material levels of fraud and error in benefit expenditure (excluding State Pension) every year since 1988-89. Over the years, we have listed a number of things DWP can do to bring down fraud and error.

Assess the cost-effectiveness of its controls

DWP has a good understanding of what fraud and error occurs, such as customers living together or wrongly reported income. But it needs to understand how this fraud and error gets past its controls and what more it can do to stop it. It has committed to a review of whether its existing controls are having the fraud and error impact intended, and whether more or improved controls are required.

Staff optimally

In 2019, we reported on Carer's Allowance and found that, between 2016 and 2018, staffing shortages meant that DWP was investigating just under 12% of the cases 'flagged' in the system as possible overpayments each month, meaning lots of overpayments continued and some recipients were later asked to pay back thousands of pounds. We have committed to doing more work on Carer's Allowance.

Enhance its use of data matching and analytics

DWP already uses some shared data to ensure benefit payments are correct, such as payroll data to calculate how much Universal Credit (UC) people should be paid, and to flag potential overpayments. It is also trialling more innovative data analytics. For UC advances, DWP has a machine learning model to predict risky claims so that it can direct staff to investigate them.

Assess impact on customer services

Targeted case reviews will place some burden on claimants who are required to provide information and engage with the process. DWP has agreed to our recommendation that it collect information on the quality of customer service in these reviews. DWP's UC advances model could also affect customer service if risky advance payments are delayed while DWP investigates. DWP reported in 2024 that payment timeliness of legitimate advances was not disproportionately affected by the model.

Review risky cases

DWP is completing a 'targeted case review', aiming to investigate 8 million UC claims by April 2028 and correcting them, which it believes will save £6.6 billion. It also says it is learning from the review so that it can prevent future fraud and error. Reviewing risky cases needs a lot of staff, and DWP says it has recruited over 3,000 staff for this review.

Improve reporting and target setting

DWP reports an estimate each year about the level of over and underpayments in benefits, and a breakdown of the different types of fraud and error. Since 2022-23, it has also set and reported against a target for counter-fraud work savings and, in 2023-24, a forecast rate for overpayments of UC. We hope this will aid accountability and over time, allow DWP to explain how the rate of fraud and error is responding to its efforts rather than external factors.

For further information, please see DWP Annual report and accounts (including the C&AG's report on account) 2020-21 to 2023-24; DWP's [Fighting fraud in the welfare system](#), May 2024; National Audit Office, [Investigation into overpayments of Carer's Allowance](#), April 2019

15 Fraud and error during the COVID-19 pandemic

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We estimate that **£10.5 billion** of fraud and error occurred in temporary COVID-19 schemes (see chart on the right).

In our March 2023 report [Tackling fraud and corruption against government](#), we said there was an estimated £7.3 billion of fraud in the temporary COVID-19 schemes. Our new estimate is higher because we are now including error as well as fraud. We have also included a newly available estimate of fraud in personal protective equipment and used some revised government estimates.

The government reports that it has so far recovered around £1.4 billion of the £10.5 billion lost to COVID-19 fraud and error. Almost all recovered amounts relate to HMRC schemes. The loans are more likely to be repaid than overpaid grants. The Department for Business and Trade expects that when Bounce Back Loan repayments have concluded, the actual loss to the taxpayer will be £2.7 billion (5.9%) compared with £4.1 billion (8.9%) of fraud and error that occurred.

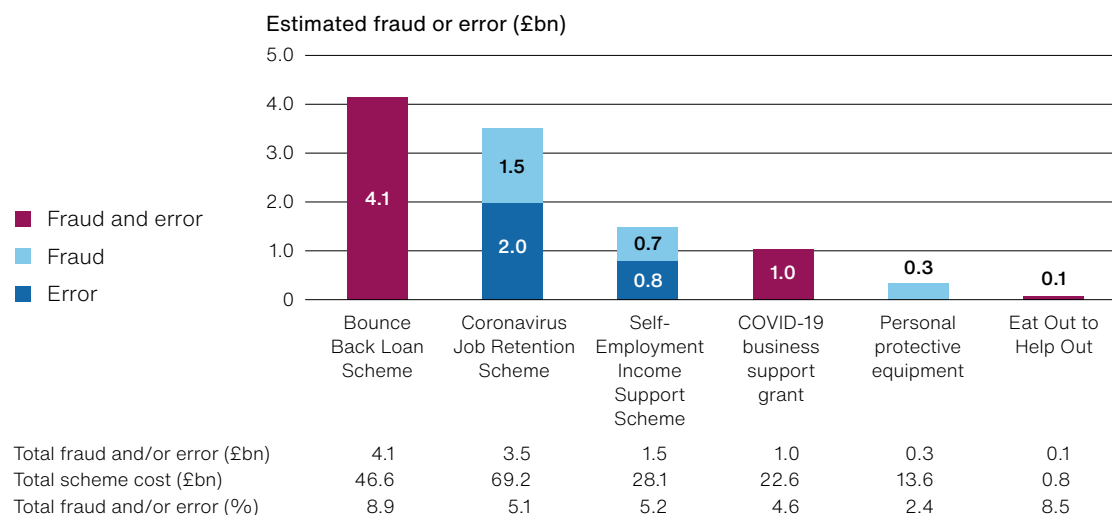
The government has announced that it will appoint a ‘Covid Corruption Commissioner’ who will “lead work to recover public funds from companies that took unfair advantage of government schemes during the COVID-19 pandemic”.

Our February 2024 report [Lessons learned: tackling fraud and protecting propriety in government spending during an emergency](#) set out seven lessons to help public bodies be better prepared for future emergencies:

- 1 Be clear on governance and rules.
- 2 Prioritise, but communicate that you will return to things you cannot cover immediately.
- 3 Embed the fraud risk management cycle.
- 4 Create a flexible counter-fraud capability.
- 5 Plan for data needs.
- 6 Increase transparency.
- 7 Plan how to buy in a seller's market.

Estimated fraud and error in temporary COVID-19 schemes, 2020-21 to 2021-22

Government has reported around **£10.5 billion** of estimated fraud and error in COVID-19 schemes



Notes

- 1 Several of the estimates in this chart are still under review and may change in future.
- 2 There are no estimates separating fraud from error for the Bounce Back Loan Scheme or COVID-19 business support grants, so we have presented these as ‘fraud and error’.
- 3 The £4.1 billion for Bounce Back Loans is the total estimated fraud and error that occurred, before recoveries or loan repayments. This is the total amount drawn down by loan recipients (£46.59 billion) multiplied by the estimated irregularity rate (8.9%). Bounce Back Loans are currently still in repayment. The Department for Business and Trade expects losses after recoveries and loan repayments to be around 5.9% (£2.7 billion).
- 4 The Department for Health & Social Care (DHSC) procured £13.6 billion of personal protective equipment (PPE) to respond to the COVID-19 pandemic. Since 2020, DHSC has reduced the value of this (‘written down/impaired’) by £9.9 billion, to reflect updated market prices of those items or because it considers the PPE unusable or surplus to requirements. The £9.9 billion is the amount written down as at 31 March 2023, which was published in DHSC’s 2022-23 Annual Report and Accounts.
- 5 The £0.3 billion for PPE is the amount of fraud that DHSC has so far detected through its review of underperforming contracts, which it is close to completing.
- 6 HM Revenue & Customs estimates there was £71 million of fraud and error in the Eat Out to Help Out scheme, of which £58 million was fraud and £13 million was error.
- 7 This chart does not show the significant rise in fraud and error in benefits during the COVID-19 pandemic. For example, Universal Credit overpayments were £1.4 billion in 2019-20 compared with £4.9 billion in 2020-21, following the onset of the pandemic. See section 13 for more details.
- 8 This chart does not include estimates made by departments that would round to £0 billion.

Source: National Audit Office analysis of government accounts and published statistics

16 Environmental fraud and error

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Schemes designed to protect the environment can face particular risks if the environmental benefits are difficult to quantify. This can make it easier for participants to defraud such schemes or to misstate the environmental impact, without necessarily causing the taxpayer monetary loss. Both can damage the environmental objectives of such schemes. Our work has demonstrated the value of applying the standard fraud and error risk management cycle (see section 9) to help protect against non-compliance in environmental schemes.

Packaging recycling obligations

The UK regulations, enforced by the Environment Agency (EA) in England, obligate relevant companies to demonstrate that a certain amount of their packaging has been recycled.

Companies normally show they have met the requirements through purchasing 'recovery notes' sold by recycling companies. Recycling companies self-register and recyclers self-report the amount of packaging they recycle. Audit and inspection by EA to confirm the recovery notes issued are legitimate prevented £6 million of fraudulent or erroneous recovery notes being issued in 2017.

Our 2018 report found that EA did not know whether its controls to prevent abuse of the system were effective because it did not know the extent of fraud and error, and its compliance inspections did not focus on the organisations EA knew to be high risk.

EA subsequently undertook more targeted enforcement interventions. It estimated that this prevented an additional £37 million of fraudulent or erroneous recovery notes being issued in the three years after our report, compared to the 2017 figure. The Environment Agency and the Department for Environment, Food & Rural Affairs (Defra) have further plans to increase compliance and reduce opportunities to commit fraud.

Renewable heat incentive (RHI) scheme

The RHI scheme gives payments to households and businesses to encourage the use of renewable and low-carbon heat. At the time of our 2018 report RHI payments were expected to total around £23 billion by 2040-41.

There are various ways that RHI may be subject to non-compliance, costing the taxpayer and reducing environmental benefits. For example, the heat generated from scheme investment could be used for the wrong purpose, an unsustainable fuel source may be used, or the amount of heat produced may be inaccurately measured.

We found that Ofgem – the scheme administrator – did not have a reliable estimate of the financial impact of non-compliance, and could not determine the effectiveness of the actions it took to tackle non-compliance.

Following our audit Ofgem tightened up its measurement and government accounts reported an estimate of the level of abuse in the scheme. This led to better assessment of the effectiveness of its compliance activity and helped it to drive down overpayments from around 4% in 2018-19 (£32.5 million) to 0.7% (£7.2 million) in 2022-23.

Biodiversity net gain

Biodiversity net gain was launched in February 2024 as a statutory requirement for developers' planning applications to improve biodiversity of developments by 10%. Developers can achieve this net gain either on-site, off-site or by purchasing biodiversity credits.

Our May 2024 report found that Defra launched the policy quickly and in doing so, accepted risks around effectiveness, including the risk that the damage to biodiversity of development is understated and around whether the benefits of biodiversity enhancements will actually be delivered. It wants the accountability for biodiversity net gains to be monitored by the local bodies who make the agreements with developers and landowners.

But there is doubt about whether local authorities have the resources and governance structures in place to do this effectively. There is also a shortage of ecologists, who assess developers plans and enforce compliance for local authorities.

Crucially, it was not clear whether Defra will have sufficiently granular data to know whether the policy delivers the planned biodiversity improvements.

17 Emerging fraud risks against the taxpayer

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As auditors, we sometimes see fraud that we do not report on, for instance where we judge that it is immaterial. Fraud we see is sometimes subject to criminal investigations, and a lot of the time it arises from simple failures of internal control. We often refer fraud to internal audit or management to investigate, where permitted to do so by Money Laundering regulations. We are also seeing new types of fraud risk emerge.

Failures of internal control: These are often internal frauds with a relatively small value compared to overall spend. They can include collusion in procurement of goods or services or in grant awards, the misuse or exploitation of government assets or information for unofficial purposes, as well as bribery and corruption. They can also include payroll fraud, discussed below. Since 2017 government has had an internal fraud hub that tracks civil servants dismissed for internal fraud, who are then banned from further employment in central government for 5 years.

Some of the newer types of risk we see include:

Technology

New technologies create new fraud opportunities. [Around 58%](#) of large businesses were victims of cyber crime in the last year, and 7% were victims of a cyber-facilitated fraud. Cyber facilitated fraud was mostly through phishing attacks and data hacking. The Public Sector Fraud Authority (PSFA) lists cyber fraud as a sub discipline in its Government Counter Fraud Framework and has said that advances in technology, like Artificial Intelligence (AI), create new opportunities for fraud to be committed.

AI could, for example, be used fraudulently by creating fake documents to make a person or business seem eligible for public money.

Government is also starting to use AI to detect fraud and error. For example, HM Land Registry [uses AI](#) to compare application forms and registration documents.

Phoenixism

HM Revenue & Customs (HMRC) [estimates](#) that around £500 million of tax was lost in 2022-23 due to 'phoenixism'. This is where a company falsely declares itself to be insolvent but continues to run the same business as a new company to evade its debts.

The Insolvency Service has a key role in tackling phoenixism – it has discretionary powers to investigate companies suspected of misconduct. If the Insolvency Service finds evidence of such conduct, this can result in disqualification of directors.

HMRC can require successor companies to put money up as a guarantee if it thinks they may not pay their taxes in future, which it used in 2020 to protect £31 million. It also gained new powers in 2020 to pursue directors for company debt in cases of potential phoenixism.

The Cabinet Office and PSFA plan to run AI projects in 2024-25 to identify entities who register and bankrupt successive companies to avoid paying debts.

They said the projects would be tested in accordance with the [Government's Generative AI Framework](#).

Payroll fraud

Payroll fraud can involve timecard or credential falsification, 'dual working' fraud where people have undeclared additional jobs, or manipulating receipts. An increase in home working may make payroll fraud more likely.

Government introduced controls against 'dual working' and timecard falsification in June 2021 for contractors and temporary workers recruited through the Public Sector Resourcing Framework.

Payroll company fraud occurs when a business transfers payroll responsibilities to a fraudulent company that does not declare or pay the correct taxes to HMRC. Government produced [guidance](#) to help businesses recognise signs of payroll company fraud.

18 Using data analytics to tackle fraud and error

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Both we and the Public Sector Fraud Authority (PSFA) have identified better use of data as a key way that government can tackle fraud and error. While it has made some progress, there remain significant barriers to government achieving greater savings.

What government is doing well

- The Department for Work & Pensions uses HM Revenue & Customs' (HMRC's) data to determine the value of Universal Credit payments, and to flag other benefits that may have been overpaid.
- The National Fraud Initiative matches public and private sector bodies data to prevent and detect fraud, allowing public sector pension schemes to combat fraud and reduce error.
- The PSFA reported £311 million of savings from data analytics and data-matching to stop fraud in 2022-23.
- The Digital Economy Act 2017 (DEA) provides a legal framework for data-sharing arrangements.

Barriers to improvement

- Government does not always hold the data it needs. For example, it relies on HMRC for its good information on individual income, but has no reliable source for the composition of households and thus household income.
- There is variability in the quality and format of data, as there are no standards across government. Data is often time lagged and needs manual input from multiple places and legacy systems.
- Government lacks capability to share intelligence about attacks, making it harder to prevent future attacks.
- Data sharing agreements can be difficult, even using the DEA.
- Few parts of government outside of tax and welfare have undertaken robust assessments of the level or types of fraud and error affecting their business. Without a proper understanding of the fraud risks, the usefulness of data analytics may be limited.

What government needs to do

- Use more data matching and analytics across government, both to stop fraudulent payments before they are made and to identify risky payments that have been made for investigation. This is included in the Government Counter Fraud Function's strategic objectives.
- Identify essential shared data assets for fraud prevention and make data sharing easier. In November 2023 the Cabinet Office launched an initiative to identify 'essential shared data assets', and the PSFA has established a team and platform to help departments share data to fight fraud.
- Share intelligence about attacks across government. In March 2023, PSFA was considering how to share intelligence across government.

19 What to look out for

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How government is assessing the potential for fraud and error across its business and in any new in spending plans.

All public bodies have a responsibility to minimise the risk of fraud.

To do this properly, they need information about the scale of the risk, including both current estimated levels of fraud and the potential for abuse in new initiatives.

HM Revenue & Customs (HMRC) and the Department for Work & Pensions (DWP) have undertaken robust assessments of the level and types of fraud affecting their business, but few other areas of government have, so actual levels are likely to be higher than reported.

The Public Sector Fraud Authority is working with departments to improve risk assessment and measurement across government, while HM Treasury has started to require initial fraud impact assessments as part of major programme business cases.

How government is minimising fraud and error by 'designing it out' of spending programmes, and how it is applying the fraud risk management cycle to iterate and work towards cost effective controls.

It is far more difficult and costly to detect and pursue fraud than to prevent it taking place. But two-thirds of counter-fraud officials work on investigating fraud, rather than preventing it. With a proper, open and ongoing assessment of fraud risks and the controls to protect against it, it may be possible to find ways to 'design out' the potential for fraud.

Public bodies should aim for cost-effective controls that minimise fraud risks as much as possible while also securing their other objectives (for example, ensuring people can access payments and services they are entitled to).

Our 2023 report [Tackling fraud and corruption against government](#) found departments at different stages of maturity in introducing effective controls to prevent fraud, with none fully mature. In particular, cost-effective fraud prevention requires much better use of data and information, and data sharing between government bodies can be a barrier.

How government articulates its fraud risk appetite and tolerance in terms of the trade-offs between objectives such as fast payment, and whether it has allocated funding to manage the risk in line with that tolerance.

Preventative controls rarely eradicate the risk of fraud completely, and fraudsters continually seek out and discover new ways to exploit systems.

DWP and HMRC have well-established ongoing counter-fraud and compliance teams, but even there we have found capacity and capability challenges. Most other departments have only limited capability and cannot demonstrate whether their activity is proportionate to their risk.

In 2023, some 84% of government's counter-fraud staff worked for DWP or HMRC, while the rest mostly work in small teams specialising in tightly focused areas of expenditure, which means the government lacks the capacity to adapt to new and unknown risks. Counter-fraud staff across government told us that managing fraud and corruption was rarely a priority for senior leaders and is not embedded in operations.

20 More information about our work on fraud and error

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[Tackling fraud and corruption against government](#)

30 March 2023

In this report we found that, during the COVID-19 pandemic, public bodies could have managed fraud risk better without impairing the emergency response.

We also reported that, outside of tax and welfare, government lacks robust assessments of its fraud risks and that most public bodies cannot demonstrate that they have counter fraud resources commensurate with the risk.

We also said that the August 2022 creation of the Public Sector Fraud Authority presented an opportunity for a renewed focus on fraud and corruption, but that it will need to be influential to achieve the required changes in culture, preventative approach and robust assessment of risks.

[Lessons learned: tackling fraud and protecting propriety in government spending during an emergency](#)

8 February 2024

This report set out the definition of propriety in public spending, including managing the risk of fraud, why protecting propriety in an emergency matters, and how the government can prepare for future emergency spending.

We set out seven key lessons, as well as practical steps that government can take to prepare for future emergency spending. We summarise these lessons in section 15 of this overview.

[Good practice guidance: Fraud and Error](#)

2 March 2021

This guide sets out some of the fraud and error risks in COVID-19 schemes, transparency expectations on government bodies about fraud and error, how the NAO ensures accountability and transparency over fraud and error in its audits, and advised on good practice against our fraud and error framework.

It discussed measurement of fraud and error in the system, putting effective counter-fraud and error controls in place, and detecting and pursuing overpayments to protect the taxpayer's interest.

DWP and HMRC Reports on account

[C&AG report on DWP accounts, 2023-24](#)

[C&AG report on HMRC accounts, 2023-24](#)

Each year, as part of our audits of DWP and HMRC, the Comptroller and Auditor General produces a report that is published alongside those bodies annual report and accounts. We have provided links to the most recent of these reports.

The reports on DWP's accounts focus on the estimated levels and causes of fraud and error in the benefit system, and DWP's plans to tackle fraud and error. It also sets out the basis for the C&AG's qualified audit opinion in relation to fraud and error in benefit expenditure.

The reports on HMRC's accounts focus on HMRC's performance against its objective of collecting revenues and managing compliance, and HMRC's customer service and debt management performance. It also sets out the basis for the C&AG's qualified audit opinion due to fraud and error in Corporation Tax reliefs, and Personal Tax Credits and Child Benefit expenditure (in 2023-24).

The figure in section 4 is based on the Public Sector Fraud Authority's (PSFA's) methodology for estimating the total level of fraud and error in public spend and income, as reported in its annual fraud landscape report. We updated this using the most recent available information and made some minor changes to some of the numbers selected.

Detected

- **HMRC (£9 billion):** We use the 'cash expected' element of the compliance yield as a proxy for the value of fraud and error that HMRC detects. Cash expected is the amount of additional tax revenue that HMRC expects to get back from past cases of non-compliance it has identified. This was £12.4 billion for 2023-24. We then exclude a proportion that relates to behaviours in the tax gap that we do not consider to be fraud and error – legal interpretation, non-payment, and avoidance. This reduces the figure to £9.0 billion. Cash expected differs from detected amounts because it excludes amounts that HMRC identifies but does not expect to collect, and includes fines and penalties.
- **DWP (£3 billion):** DWP reports £3 billion of detected benefit overpayments in its 2023-24 Annual Report & Accounts.
- **Other public bodies (£1 billion):** Other public bodies report detected fraud and error to the PSFA every quarter as part of the Consolidated Data Return. This is later published in the PSFA's annual cross-government fraud landscape report. The latest figure at the time of publishing this guide was £823 million from the [2021-22 Fraud Landscape Report](#), which we rounded to £1 billion.

Estimated

- **HMRC tax revenue (£30 billion):** We used the value of HMRC's tax gap estimate that relates to behaviours we consider to be equivalent to fraud and error. These are error, evasion, failure to take reasonable care, criminal attacks, and the hidden economy. We applied the most recent tax gap rates for these behaviours (2022-23) to tax revenues for 2023-24. There is an unquantified amount of double counting of Corporation Tax research and development (R&D) relief in the tax gap and HMRC benefits.
- **HMRC benefits and reliefs (£1 billion):** HMRC reports £1.2 billion of estimated fraud and error for Personal Tax Credits, Corporation Tax R&D Relief, Child Benefit, and Cost of Living Payments in its 2023-24 Annual Report & Accounts. These are shown in the table on the next page.
- **DWP benefits (£7 billion):** DWP reported £9.7 billion of estimated fraud and error in benefit expenditure in its 2023-24 Annual Report & Accounts. To avoid double counting, we deducted detected amounts (£3 billion) from this estimate. DWP spent £268.5 billion on benefits in 2023-24, as seen in its accounts. DWP's fraud and error statistics showed benefit expenditure of £266.2 billion, which was the latest forecast for 2023-24 at the time DWP produced the estimate.
- **Other public bodies (£2 billion):** We reviewed the 2022-23 and 2023-24 accounts of public bodies to identify fraud and error estimates (see table on next page). Excluding HMRC and DWP these total £1.5 billion, which we rounded up to £2 billion.

Unknown

We took total public spend and income for 2023-24, deducted spend and income associated with known estimates and out of scope or low risk amounts, then multiplied by a range of 0.5% to 5.0%.

- **Total public expenditure:** We took total public sector spend of £1.1 trillion from HM Treasury's Public Expenditure Statistical Analyses 2024. We excluded spend on depreciation, non-cash items, locally financed spend, debt interest and accounting adjustments, which we consider out of scope or low risk. To avoid double counting, we deducted spend associated with the estimates described above.
- **Total public revenue:** We took total public sector receipts of £1.1 trillion for 2023-24 from the Office for National Statistics dataset. We excluded income already covered by estimates mentioned above (HMRC tax and the BBC licence fee). We also deducted income associated with local government and with debt interest payments, which are out of scope.
- **0.5% to 5.0% fraud and error:** We applied a range of 0.5% to 5.0% fraud and error in unexamined areas of spend and income. This range comes from the PSFA's Fraud Measurement and Assurance programme, which reviewed around 50 fraud and error measurements to produce this range for the likely level of fraud and error in areas where little or no measurement has taken place.

Section 21:

Appendix A *continued*

Most recent fraud and error estimates reported by public bodies

The most recent annual estimates from public bodies totalled **£43 billion of fraud and error**

Reporting body	Area/scheme	Year	Estimated fraud and error (£mn)	Estimated fraud and error (%)
HM Revenue & Customs	Fraud and error in the tax gap	See note 1	30,362.4	3.6
Department for Work & Pensions	Benefit overpayments	2023-24	9,700.0	3.7
HM Revenue & Customs	Corporation Tax Relief (research and development)	2023-24	601.0	7.8
BBC	TV licence fee evasion	2023-24	466.0	11.3
Department for Education	Newly issued Student Loans	2023-24	405.0	2.0
NHS Counter Fraud Authority	NHS vulnerability to fraud, bribery and corruption	See note 2	392.8	2.5
HM Revenue & Customs	Personal Tax Credits	2023-24	365.0	4.7
Department for Education	Education & Skills Funding Agency grants	2023-24	212.0	0.3
HM Revenue & Customs	Child Benefit	2023-24	200.0	1.6
Department for Education	Grant by core department	2023-24	22.7	0.3
Legal Aid Agency	Legal aid (net of recoveries)	2023-24	14.7	0.7
Rural Payments Agency	Grants	2022-23	12.6	0.7
Ofgem	GB Renewable Heat Incentive	2022-23	7.2	0.7
Department for Environment, Food & Rural Affairs	Grants by core department >£5 million	2022-23	3.5	1.9
Ofgem	Boiler Upgrade Scheme	2022-23	1.7	3.3
HM Revenue & Customs	Cost of Living Payments	2023-24	1.4	0.2
Building Digital UK	Gigabit Broadband Voucher Scheme	2022-23	0.2	0.4
Total			42,678	
Total (excluding HMRC)			11,238	
Total (excluding HMRC and DWP)			1,538	

Notes

- 1 We estimated fraud and error in the tax gap by applying the most recent available rates for 2022-23 to 2023-24 tax revenues. We consider tax lost due to error, evasion, failure to take reasonable care, criminal attacks, and the hidden economy to be equivalent to fraud and error.
- 2 The NHS Counter Fraud Authority's Strategic Intelligence Assessment 2024 reports that the NHS was vulnerable to fraud, bribery and corruption of £1.3 billion in 2022-23. Of that total, the elements that are based on fraud loss measurement are; patient exemption fraud (£240.2 million, 2.0%), optical contractor fraud (£94 million, 16.4%), and dental contractor fraud (£58.6 million, 1.9%).

Source: National Audit Office analysis of Annual Reports & Accounts and related published reports