



HM TREASURY

For enquiries about distribution of this and other
DAO letters, please contact Mangai Rajasingham
Tel: 020 7270 5362
Fax: 020 7270 4311
mangai.rajasingham@hm-treasury.x.gsi.gov.uk

1 Horse Guards Road
London
SW1A 2HQ

www.hm-treasury.gov.uk

31 October 2007

DAO(GEN)05/07

All live DAOs are at
<http://www.hm-treasury.gov.uk/dao>

Dear Accounting Officer

FRAUD IN GOVERNMENT DEPARTMENTS 2006-07

This DAO letter alerts readers to the latest report on fraud detected within central government departments in 2006-07.

Action

2. Please draw the report to the attention of all those who deal with public money, both in departments and in arm's length bodies. The full report is on the Treasury website at http://www.hm-treasury.gov.uk/documents/public_spending_reporting/governance_risk/psr_managing_risk_of_fraud.cfm

Contacts

3. If you have questions about the report, please contact **Richard Fennelly** on 020 7270 5792 or at richard.fennelly@hm-treasury.gov.uk.

Coverage

4. The fraud report draws on information from 1067 cases of internal fraud, with total losses of some £3.9m. It analyses information about:

- fraud or theft by or involving members of staff;
- cases of fraud of £20,000 or more that contain valuable lessons for others; and
- fraud of £20,000 or more by contractors or suppliers.

5. The purpose of the report is to give departments and their arm's length bodies insight into practices likely to increase the risk of fraud. This should

alert them to potential dangers and help them develop effective anti-fraud measures.

Key findings

6. The report concludes:

- the total number of cases has increased over last year's total although the overall value has fallen. The increase in the number in cases could be due, in part, to better management of fraud risk management in departments;
- the main risk areas are:
 - theft of assets (38% of cases by number)
 - personnel management cases (24% of cases by number)
 - payment fraud (65% by value).
- better asset security and designing into systems well tried techniques such as segregation of duties and routine management checks, could go a long way to deal with some obvious risks.

7. Departments and their arm's length bodies should also find it valuable to consider whether they have anything to learn from others' efforts to counter internal fraud. Annex E describes several departments' recent anti-fraud activities.

Consequential

8. The following DAO letter is now withdrawn:

- DAO(GEN)10/06 (23 November 2006)



Yours sincerely,
Paula Diggle

Paula Diggle
Treasury Officer of Accounts