



## **AUDIT COMMITTEE – 15TH OCTOBER 2019**

**SUBJECT: COUNTER FRAUD ARRANGEMENTS IN THE WELSH PUBLIC SECTOR –  
PUBLICATION BY THE WALES AUDIT OFFICE**

**REPORT BY: INTERNAL AUDIT MANAGER**

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### **1. PURPOSE OF REPORT**

- 1.1 To make members of the Audit Committee aware of a recent publication by the Wales Audit Office.

### **2. SUMMARY**

- 2.1 The publication provides an overview of the counter-fraud landscape across the Welsh public sector and follows the publication of the 2018 National Fraud Initiative report which provided some insight into aspects of public sector fraud in Wales but does not provide a robust evaluation of the underlying arrangements for prevention and detection. This latest publication therefore describes the allocation of resources, collaboration between organisations, scrutiny arrangements and overall impact.

### **3. RECOMMENDATIONS**

- 3.1 The Audit Committee note this report.

### **4. REASONS FOR THE RECOMMENDATIONS**

- 4.1 To ensure that members of the Audit Committee have an up to date view on the current counter fraud position in Wales.

### **5. THE REPORT**

- 5.1 The Welsh Audit Office undertook a review of Public Sector Counter Fraud arrangements at the request of the WG Public Accounts Committee who had taken an interest in this issue following the 2018 FI Data Marching report. This involved discussions with a sample of Public Sector Bodies including Local Authorities, NHS and Central Government. The report was published in June 2019 and titled Counter-Fraud Arrangements in the Welsh Public Sector - An overview for the Public Accounts Committee. The report is attached as Appendix 1.
- 5.2 Fraud is prevalent across all sectors including the public sector and is generally believed to be significantly under-reported. There is often a reluctance for organisations to identify suspicious activity as fraudulent and there is sometimes a mistaken perception that reporting fraud casts the organisation involved in an unfavourable light.
- 5.3 Using figures from a recent Cabinet Office report which indicate an upper and lower range for likely losses in government spend of between 0.5% and 5% of expenditure, the document suggests that for Welsh expenditure of around £20 billion losses to fraud and error may be anywhere between £100 million and £1 billion per annum.
- 5.4 Precisely how much the public sector loses to fraud is unknown and although these headline estimates should be treated with considerable caution, they do give an indication of the magnitude of the potential risks from fraud facing the Welsh public sector.

- 5.5 The publication is divided into two main sections Part 1 outlines the impact and scale of fraud and Part 2 goes through the various elements of the Welsh public sector providing an overview of the counter-fraud arrangements within each area.
- 5.6 Part 1 of the document answers a number of questions around what is fraud, what types of fraud exist, who, why and how do people commit fraud, how is fraud detected and how are losses recovered and additionally how are frauds evolving.
- 5.7 Part 2 goes on to look at counter fraud arrangements within the different areas of the public sector in Wales.
- 5.8 Caerphilly was one of the eight councils that contributed to the review and an element of work undertaken as part of the 16/18 National Fraud Initiative has been included as a case study promoting the advantages to be gained from participating in the exercise.

## **Conclusion**

- 5.9 Fraud risk continues to be a major issue which is constantly present and continually evolving, however it is felt there is no overall co-ordinated guidance or approach for Local Government in Wales and neither are there any standards in place for the reporting of it.

## **6. ASSUMPTIONS**

- 6.1 No assumptions were made in this report.

## **7. LINKS TO RELEVANT COUNCIL POLICIES**

- 7.1 Strong corporate governance arrangements are an essential element of ensuring that the Council's key priorities are effectively delivered.

## **8. WELL-BEING OF FUTURE GENERATIONS**

- 8.1 Strong corporate governance arrangements are a key element in ensuring that the Well-being Goals within the Well-being of Future Generations Act (Wales) 2015 are met: -
- A prosperous Wales.
  - A resilient Wales.
  - A healthier Wales.
  - A more equal Wales.
  - A Wales of cohesive communities.
  - A Wales of vibrant culture and thriving Welsh Language.
  - A globally responsible Wales.

## **9. EQUALITIES IMPLICATIONS**

- 9.1 There are no equalities implications.

## **10. FINANCIAL IMPLICATIONS**

- 10.1 There are no direct financial implications arising from this report.

## **11. PERSONNEL IMPLICATIONS**

- 11.1 There are no personnel implications.

## **12. CONSULTATIONS**

12.1 Any comments received from consultees have been included within the report.

## **13. STATUTORY POWER**

13.1 Local Government Act 2000

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Appendix 1: Counter Fraud Arrangements in the Welsh Public Sector – Publication by The Wales Audit Office.