

Dame Shan Morgan
Permanent Secretary
Welsh Government

26 August 2019

Counter Fraud Arrangements in the Public Sector

Dear Shan,

Following publication of the Auditor General's biennial National Fraud Initiative (NFI) report in 2018 and his report on Counter-Fraud Arrangements in the Welsh Public Sector in 2019, the Committee convened a stakeholder event on 1 July 2019 to discuss and share good practice on Counter Fraud in the Public Sector. Stakeholders included Welsh Government officials, Local Authorities, the NHS, CIPFA and the Assembly Commission.

As you will appreciate, this topic is of significant interest to the Welsh taxpayer with the Auditor General's recent report highlighting that Welsh public services could be losing anything up to £1 billion a year to fraud.

The Committee fully endorse the Auditor General's view that "every pound stolen from the public sector means that there is less to spend on key services such as health, education and social services". At a time of austerity, it is more important than ever for all public bodies in Wales to seek to minimise the risks of losses through fraud.

Discussions at our event echoed the findings of the Auditor General's report with some consistent themes, including that:

- The resources devoted to counter-fraud activity vary widely across the public sector in Wales;
- NHS Wales invests extensively in both national and local counter-fraud activity;



- Welsh Government activity prioritises investigation, rather than prevention; and
- across local government in Wales, counter-fraud resourcing arrangements differ markedly from council to council and there is no all-Wales team responsible for local government counter-fraud activities or any overarching strategy or policy framework.

With regards to Local Government we were particularly concerned to hear that most councils no longer have a dedicated council-wide counter-fraud team, and instead, Internal Audit has been designated the counter-fraud role in many councils. Not all internal audit teams have received any formal training in this specialist area, and many teams lack counter-fraud experience.

However, we also heard some good examples of collaborative working, through initiatives such as the NFI, other proactive data matching exercises, the Auditor General's Good Practice Exchange, the workshops run by the Welsh Government with local authorities following Welsh Government fraud investigations, the Wales Fraud Forum, the Government Agency Intelligence Network and the Organised Fraud Intelligence Group.

We would like to see greater collaboration led at a national level within Wales, particularly in relation to the sharing of information and good practice with local authorities. Currently, there is no overarching group or professional network that specifically promotes counter-fraud in local government. Councils do have some links with CIPFA and often use its published information (for example, the 'Fighting Fraud Locally Strategy'). However, most councils do not tend to engage actively with CIPFA. On cost grounds, only two councils currently subscribe to the resources and expertise available from the CIPFA Counter Fraud Centre.

We ask that the Welsh Government consider whether there is scope and potential to support a national counter fraud team to work across Wales to ensure that at least a basic level of counter fraud work is undertaken in each local authority area by suitably trained staff.

Generally, across the public sector we heard that there are simply not enough resource invested in counter-fraud, and that the focus of this limited resource is on fraud detection rather than prevention. However, there is potential to do far more to prevent fraud happening in the first place by sharing the rich data and intelligence held collectively across the public sector that could be used to help prevent fraud.



There is clearly a real appetite across the public sector to work better together, and we heard that the main problem in terms of data sharing in Wales arises from concerns about what information can be legitimately shared, coupled to the absence of any standards for recording and processing it. We ask that the Welsh Government consider how it can best provide stronger national leadership and better quality guidance on the sharing of information to help strengthen and improve the impact of counter fraud activities across the Welsh public sector.

The Committee intend to continue to scrutinise counter-fraud across the Welsh public sector and are particularly encouraged that, building on his initial landscape review, the Auditor General now intends to undertake local audit work across all parts of the Welsh public sector to examine how effective their counter-fraud arrangements are in practice and to make recommendations for improvement. We look forward to receiving his report on that work next year.

Yours sincerely,

A handwritten signature in black ink that reads "Nick Ramsay". The signature is fluid and cursive, with a long horizontal flourish extending from the end of the name.

Nick Ramsay AM
Chair

